

FİNANS BANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2016

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

(Convenience translations of the independent auditor’s report originally issued in Turkish, See Note I. of Section three)

Independent auditor report

To the Board of Directors of Finans Bank A.Ş.

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated balance sheet of Finans Bank A.Ş. (“the Bank”) as at December 31, 2016, and the related unconsolidated income statement, unconsolidated statement of income and expense items accounted under shareholders’ equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders’ equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank’s Board of Directors for the Unconsolidated financial statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statement in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and BRSA Accounting and Reporting Legislation which includes the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation 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.

Independent Auditor’s responsibility

Our responsibility is to express an opinion on the unconsolidated financial statements based on our audit. We conducted our audit in accordance with communique “Independent Audit of Banks” published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the independent auditor’s professional judgment, including the assessment of risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank’s preparation and fair presentation of the unconsolidated financial statements 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. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Qualified Opinion

As of December 31, 2015, the accompanying prior period unconsolidated financial statements include thousands TL 100.000 general reserve for possible results of the circumstances which may arise from any changes in the economy and market conditions of which thousands TL 82.000 and thousands TL 18.000 were provided in 2014 and 2015 respectively. Aforementioned general reserve has been reversed in the last quarter of 2016.

Qualified Opinion

In our opinion, except for the effect of the matter referred in the preceding paragraph on the unconsolidated financial statements, the accompanying unconsolidated financial statements the financial statement presents fairly, in all material respects, the financial position of Finans Bank A.Ş. as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

Reports on arising from other regulatory requirements:

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 for the period January 1 – December 31, 2016 are not in compliance with the code and provisions of the Bank’s articles of association in relation to financial reporting.

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.

Additional paragraph for convenience translation to English:

As explained in detail in Note I.1. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying 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.

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

Damla Harman, SMMM
Partner

February 3, 2017
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF FINANS BANK A.Ş.
FOR THE YEAR-END PERIOD ENDED DECEMBER 31, 2016**

The Bank's;

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

The unconsolidated financial report for the year-end period ended December 31, 2016, 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 RİSK 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-end period ended December 31, 2016, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL)**.

Ömer A. Aras
Chairman of
the Board of Directors

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

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

Fatma Abdulla S.S. Al-Suwaidi
Member of the Board of
Directors and of the
Audit Committee

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

Temel Güzeloğlu
General Manager
and Member of the
Board of Directors

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

Ercan Sakarya
Director of Financial,
Statutory Reporting and
Treasury Control

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

Name-Surname/Title : Ercan Sakarya / Director of Financial, Statutory Reporting and Treasury Control
Phone Number : (0 212) 318 52 92
Facsimile Number : (0 212) 318 55 78

INDEX

SECTION ONE GENERAL INFORMATION

I.	Explanatory note on the establishment date, nature of activities and history of the Bank	1
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	1
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	2
IV.	Information about the persons and institutions that have qualified shares	2
V.	Explanations on the Bank's services and activities	2
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	3
VII.	The existing or potential, actual or legal obstacles to immediate transfer of shareholders' equity between the Bank and its subsidiaries and repayment of debts	3

SECTION TWO UNCONSOLIDATED FINANCIAL STATEMENTS

I.	Balance sheet (statement of financial position)	4-5
II.	Statement of off-balance sheet commitments and contingencies	6
III.	Income statement (statement of income / loss)	7
IV.	Statement of profit and loss accounted for under equity (statement of other comprehensive income / loss)	8
V.	Statement of changes in shareholders' equity	9-10
VI.	Statement of cash flows	11
VII.	Statement of unconsolidated profit appropriation	12

SECTION THREE ACCOUNTING POLICIES

I.	Basis of presentation	13-14
II.	Strategy for the use of financial instruments and foreign currency transactions	14-15
III.	Information on associates and subsidiaries and Entities Under Common Control	15
IV.	Explanations on forwards, option contracts and derivative instruments	15-16
V.	Explanations on Interest income and expenses	16
VI.	Explanations on Fees and commission income and expenses	17
VII.	Explanations and Disclosures on financial assets	17-19
VIII.	Explanations on Impairment of financial assets	19
IX.	Explanations on Netting of financial instruments	20
X.	Explanations on Sales and repurchase agreements and lending of securities	20
XI.	Explanations on Assets held for sale and discontinued operations	20
XII.	Explanations on Goodwill and other intangible assets	21
XIII.	Explanations on Tangible assets	21
XIV.	Explanations on Leasing transactions	22
XV.	Explanations on Provisions and contingent liabilities	22
XVI.	Explanations on Obligations of the Bank concerning employee benefits	22
XVII.	Explanations on Taxation	23-24
XVIII.	Explanations on Additional explanations on borrowings	24
XIX.	Explanations on Share issues	24
XX.	Explanations on Confirmed bills of exchange and acceptances	24
XXI.	Explanations on Government incentives	24
XXII.	Explanations on Segment reporting	24-26
XXIII.	Explanations on Profit reserves and profit distribution	26
XXIV.	Earnings per share	27
XXV.	Explanations on other matters	27

SECTION FOUR INFORMATION ON FINANCIAL STRUCTURE

I.	Explanations on equity	28-34
II.	Explanations on credit risk	35-64
III.	Explanations on foreign currency exchange rate risk	65-67
IV.	Explanations on interest rate risk	67-71
V.	Explanations on position risk of equity securities in banking book	71
VI.	Explanations on remarks regarding liquidity risk management and liquidity coverage ratio	72-77
VII.	Information regarding leverage ratio	78
VIII.	Information related to presentation of financial assets and liabilities at their fair value	79-80
IX.	Explanations related to transactions carried out on behalf of customers, items held in trust	80

SECTION FIVE EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I.	Explanations and disclosures related to assets	81-97
II.	Explanations and disclosures related to liabilities	98-105
III.	Explanations and disclosures related to off-balance sheet items	106-112
IV.	Explanations and disclosures related to the income statement	113-118
V.	Explanations and disclosures related to statement of changes in shareholder's equity	119
VI.	Explanations and disclosures related to cash flows statement	120-121
VII.	Explanations and disclosures related to the Bank's risk group	122-123
VIII.	Explanations on the Bank's domestic, foreign and off- shore banking branches and foreign representatives	124

SECTION SIX OTHER EXPLANATIONS AND DISCLOSURES

I.	Other explanations related to the Bank's operations	125
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SECTION SEVEN INDEPENDENT AUDIT REPORT

I.	Explanations on the independent audit report	126
II.	Explanations on the notes prepared by independent auditors	126

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2016**

(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

Finans Bank 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 ("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 (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) Before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

Bank has decided to change its logo and trade name as "QNB FinansBank" within the scope of change in the principal shareholder and brand strategy. "QNB Finansbank" has been started to be used as a new logo since October 20, 2016, although it keeps the legal name unchanged as "Finansbank A.Ş".

99,88% of shares of Finans Bank A.Ş. are controlled by Qatar National Bank as of December 31, 2016 and remaining 0,12% of related shares are public shares.

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

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

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2016

(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 Talat A. Mari ^(*)	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member and Audit Committee Member	June 23, 2016	Masters
Durmuş Ali Kuzu ^(**)	Board Member and Audit Committee Member	August 25, 2016	Phd
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Abdulla Mubarak N.Alkhalifa	Board Member	June 23, 2016	Graduate
Assistant Prof. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ali Rashid A.S.Al-Mohannadi ^(***)	Board Member	June 16, 2016	Graduate
Grant Eric Lowen	Board Member	June 23, 2016	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Murat Şakar	Executive Vice President	August 1, 2008	Graduate
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Özlem Cinemre	Executive Vice President	July 9, 1997	Graduate
Hakan Alp	Executive Vice President	July 7, 2010	Graduate
Filiz Sonat	Executive Vice President	September 19, 2007	Graduate
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Graduate
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Onur Özkan	Executive Vice President	May 14, 2015	Masters
Elsa Pekmez Atan	Executive Vice President	May 14, 2015	Masters
Emel Yılmaz Özbay ^(****)	Executive Vice President	Feb 12, 2016	Graduate
Engin Turhan ^(*****)	Executive Vice President	June 14, 2016	Masters
Ahmet Erzençin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6, 2013	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

^(*) Ramzi Talat A. Mari has been assigned in Extraordinary General Assembly dated June 16, 2016 and his assignment process has been completed on July 18, 2016

^(**) As of August 25, 2016 Durmuş Ali Kuzu has been assigned as a member of a board of directors, and as of September 28, 2016 he has been assigned as a member of audit committee.

^(***) Ali Rashid A.S Al-Mohannadi has been assigned in Extraordinary General Assembly dated June 16, 2016 and his assignment process has been completed on July 29, 2016.

^(****) As of February 12, 2016 Emel Yılmaz Özbay has been assigned as the Executive Vice President responsible for legal department.

^(*****) As of June 14, 2016 Engin Turhan has been assigned as Deputy General Manager responsible for Commercial Banking and Project Funding.

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 (“QNB”)	3.146.138	99,88%	3.146.138	-
Other	3.862	0,12%	3.862	-

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, 2016, the Bank operates through 628 domestic (December 31, 2015 – 640), 1 abroad (December 31, 2015 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2015 – 1) branches. As of December 31, 2016, the Bank has 12.451 employees (December 31, 2015 - 12.950 employees).

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2016**

(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 Finans Emeklilik and Hayat Anonim Şirketi is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

Ibtech A.Ş and E-finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. included in investments in associates and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. included in 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 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 immediate transfer of shareholders' equity between the Bank and its subsidiaries and repayment of debts:

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Commitments and Contingencies
- III. Income Statement (Statement of Income / Loss)
- IV. Statement of Profit and Loss Accounted for Under Equity (Statement of Other Comprehensive Income and Loss)
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flow
- VII. Profit Appropriation Statement

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

**FİNANS BANK ANONİM ŞİRKETİ
BALANCE SHEET AS OF DECEMBER 31, 2016 (STATEMENT OF FINANCIAL POSITION)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

I. BALANCE SHEET – ASSETS

		Audited 31/12/2016			Audited 31/12/2015		
	Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1.929.860	11.174.023	13.103.883	2.088.091	9.997.041
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	2.603.817	211.858	2.815.675	2.059.461	2.312.663
2.1	Financial assets held for trading		2.580.846	211.858	2.792.704	2.012.107	2.265.309
2.1.1	Public sector debt securities		5.950	11.486	17.436	23.207	28.060
2.1.2	Equity securities		-	-	-	-	-
2.1.3	Assets on trading derivatives		2.574.896	200.372	2.775.268	1.988.900	2.237.249
2.1.4	Other securities		-	-	-	-	-
2.2	Financial assets at fair value through profit and loss		22.971	-	22.971	47.354	47.354
2.2.1	Public sector debt securities		-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-
2.2.3	Loans		22.971	-	22.971	47.354	47.354
2.2.4	Other securities		-	-	-	-	-
III.	BANKS	(3)	13.503	260.283	273.786	9.536	306.366
IV.	MONEY MARKET PLACEMENTS		1.547.549	-	1.547.549	-	-
4.1	Interbank money market placements		-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		246.944	-	246.944	-	-
4.3	Receivables from reverse repurchase agreements	(4)	1.300.605	-	1.300.605	-	-
V.	INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(5)	4.151.905	2.880.043	7.031.948	3.382.972	1.912.514
5.1	Equity securities		4.225	44.961	49.186	4.231	4.231
5.2	Public sector debt securities		4.147.680	2.796.651	6.944.331	3.378.323	1.880.669
5.3	Other securities		-	38.431	38.431	418	31.845
VI.	LOANS AND RECEIVABLES	(6)	50.044.814	12.855.446	62.900.260	47.256.465	57.225.630
6.1	Loans and receivables		49.431.744	12.855.446	62.287.190	46.512.772	9.969.165
6.1.1	Loans to risk group of the Bank		167.228	98.076	265.304	96.840	155.953
6.1.2	Public sector debt securities		-	-	-	-	-
6.1.3	Other		49.264.516	12.757.370	62.021.886	46.415.932	56.325.984
6.2	Non-performing loans		3.840.927	-	3.840.927	3.797.990	3.797.990
6.3	Specific provisions (-)		3.227.857	-	3.227.857	3.054.297	3.054.297
VII.	FACTORING RECEIVABLES		-	-	-	-	-
VIII.	INVESTMENT SECURITIES HELD TO MATURITY (Net)	(7)	3.383.952	2.516.555	5.900.507	3.009.964	863.950
8.1	Public sector debt securities		3.383.952	1.915.594	5.299.546	3.009.964	110.652
8.2	Other securities		-	600.961	600.961	-	753.298
IX.	INVESTMENT IN ASSOCIATES (Net)	(8)	3.766	-	3.766	3.766	3.766
9.1	Equity method associates		-	-	-	-	-
9.2	Unconsolidated		3.766	-	3.766	3.766	3.766
9.2.1	Financial Investments		-	-	-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766	3.766	3.766
X.	INVESTMENT IN SUBSIDIARIES (Net)	(9)	665.618	-	665.618	343.000	343.000
10.1	Unconsolidated financial investments		647.572	-	647.572	324.954	324.954
10.2	Unconsolidated non-financial investments		18.046	-	18.046	18.046	18.046
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	(10)	129.443	-	129.443	95.233	95.233
11.1	Equity method entities under common control		-	-	-	-	-
11.2	Unconsolidated		129.443	-	129.443	95.233	95.233
11.2.1	Financial investments		126.643	-	126.643	92.433	92.433
11.2.2	Non-financial Investments		2.800	-	2.800	2.800	2.800
XII.	LEASE RECEIVABLES (Net)	(11)	-	-	-	-	-
12.1	Financial lease receivables		-	-	-	-	-
12.2	Operational lease receivables		-	-	-	-	-
12.3	Others		-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES	(12)	3.409.777	33.561	3.443.338	3.219.905	19.104
13.1	Fair value hedge		2.346.595	18.509	2.365.104	2.292.114	18.069
13.2	Cash flow hedge		1.063.182	15.052	1.078.234	927.791	1.035
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(13)	1.833.271	48	1.833.319	1.576.634	8
XV.	INTANGIBLE ASSETS (Net)	(14)	280.166	-	280.166	263.957	263.957
15.1	Goodwill		-	-	-	-	-
15.2	Others		280.166	-	280.166	263.957	263.957
XVI.	INVESTMENT PROPERTIES (Net)	(15)	-	-	-	-	-
XVII.	TAX ASSETS	(16)	33.517	-	33.517	78.968	78.968
17.1	Current tax assets		-	-	-	-	-
17.2	Deferred tax assets		33.517	-	33.517	78.968	78.968
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(17)	-	-	-	-	-
18.1	Assets held for sale		-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-
XIX.	OTHER ASSETS	(18)	1.135.700	404.579	1.540.279	976.301	129.885
TOTAL ASSETS			71.166.658	30.336.396	101.503.054	64.364.253	21.363.144

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)**

FİNANS BANK ANONİM ŞİRKETİ

BALANCE SHEET AS OF DECEMBER 31, 2016 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

		Audited 31/12/2016			Audited 31/12/2015			
		Section 5						
		Part II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	31.546.849	22.391.851	53.938.700	28.874.448	19.691.389	48.565.837
1.1	Deposits from risk group of the Bank		208.763	60.106	268.869	304.656	220.154	524.810
1.2	Other		31.338.086	22.331.745	53.669.831	28.569.792	19.471.235	48.041.027
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	2.387.017	214.921	2.601.938	1.882.909	273.555	2.156.464
III.	FUNDS BORROWED	(3)	101.236	10.656.671	10.757.907	107.591	5.532.825	5.640.416
IV.	MONEY MARKET BORROWINGS		2.995.752	3.519.709	6.515.461	2.781.534	1.857.920	4.639.454
4.1	Interbank money markets takings		1.500.708	-	1.500.708	-	-	-
4.2	Istanbul Stock Exchange money markets takings		-	-	-	-	-	-
4.3	Funds provided under repurchase agreements	(4)	1.495.044	3.519.709	5.014.753	2.781.534	1.857.920	4.639.454
V.	SECURITIES ISSUED (Net)	(5)	1.124.543	3.187.028	4.311.571	535.327	3.800.454	4.335.781
5.1	Bills		1.124.543	53.683	1.178.226	535.327	-	535.327
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		-	3.133.345	3.133.345	-	3.800.454	3.800.454
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		2.212.951	4.389.726	6.602.677	2.042.291	3.417.799	5.460.090
VIII.	OTHER LIABILITIES	(6)	858.329	170.008	1.028.337	987.164	154.881	1.142.045
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	(7)	273	667	940	838	1.066	1.904
10.1	Financial lease payables		322	728	1.050	981	1.159	2.140
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial lease expenses (-)		49	61	110	143	93	236
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(8)	196.239	230.489	426.728	60.229	223.215	283.444
11.1	Fair value hedge		-	190.559	190.559	-	178.808	178.808
11.2	Cash flow hedge		196.239	39.930	236.169	60.229	44.407	104.636
11.3	Hedge of net investments in foreign subsidiaries		-	-	-	-	-	-
XII.	PROVISIONS	(9)	1.768.642	-	1.768.642	1.759.828	-	1.759.828
12.1	General provisions		1.288.394	-	1.288.394	1.190.403	-	1.190.403
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		276.595	-	276.595	236.751	-	236.751
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		203.653	-	203.653	332.674	-	332.674
XIII.	TAX LIABILITY	(10)	188.032	-	188.032	56.239	-	56.239
13.1	Current tax liability		188.032	-	188.032	56.239	-	56.239
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(12)	-	3.235.793	3.235.793	-	2.662.119	2.662.119
XVI.	SHAREHOLDERS' EQUITY		10.499.697	(373.369)	10.126.328	9.202.073	(178.297)	9.023.776
16.1	Paid-in capital	(13)	3.150.000	-	3.150.000	3.000.000	-	3.000.000
16.2	Capital reserves		276.220	(373.369)	(97.149)	182.006	(178.297)	3.709
16.2.1	Share Premium	(14)	714	-	714	714	-	714
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Securities value increase fund	(15)	275.394	(379.478)	(104.084)	141.358	(178.297)	(36.939)
16.2.4	Revaluation fund on tangible asset		-	-	-	-	-	-
16.2.5	Revaluation fund on intangible asset		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		2.689	-	2.689	2.689	-	2.689
16.2.8	Hedging funds (effective portion)		39.442	6.109	45.551	81.175	-	81.175
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(42.019)	-	(42.019)	(43.930)	-	(43.930)
16.3	Profit reserves		5.870.067	-	5.870.067	5.314.295	-	5.314.295
16.3.1	Legal reserves		444.527	-	444.527	409.238	-	409.238
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		5.425.540	-	5.425.540	4.905.057	-	4.905.057
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	Profit or loss		1.203.410	-	1.203.410	705.772	-	705.772
16.4.1	Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2	Current period income/ (loss)		1.203.410	-	1.203.410	705.772	-	705.772
TOTAL LIABILITIES AND EQUITY			53.879.560	47.623.494	101.503.054	48.290.471	37.436.926	85.727.397

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)**

FİNANS BANK ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2016
(STATEMENT OF INCOME/LOSS)

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

		Audited 31/12/2016			Audited 31/12/2015		
		TL	FC	Total	TL	FC	Total
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)	107.724.136	100.291.889	208.016.025	101.035.556	99.438.836	200.474.392
I.	GUARANTEES	(1), (2), (3),(4)	7.171.006	6.013.004	13.184.010	6.009.442	10.475.826
1.1.	Letters of guarantee	7.158.585	3.648.130	10.806.715	5.981.355	3.047.590	9.028.945
1.1.1.	Guarantees subject to State Tender Law	310.573	36.451	347.024	294.530	30.894	325.424
1.1.2.	Guarantees given for foreign trade operations	3.527.000	3.611.679	7.138.679	3.171.512	3.016.696	6.188.208
1.1.3.	Other letters of guarantee	3.321.012	-	3.321.012	2.515.313	-	2.515.313
1.2.	Bank loans	7.421	1.248.056	1.255.477	23.085	772.477	795.562
1.2.1.	Import letter of acceptance	7.421	1.248.056	1.255.477	23.085	772.477	795.562
1.2.2.	Other bank acceptances	-	-	-	-	-	-
1.3.	Letters of credit	5.000	1.116.818	1.121.818	5.002	646.317	651.319
1.3.1.	Documentary letters of credit	5.000	1.084.124	1.089.124	5.002	628.377	633.379
1.3.2.	Other letters of credit	-	32.694	32.694	-	17.940	17.940
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	(1)	39.611.999	1.954.418	41.566.417	35.030.262	727.276
2.1.	Irrevocable commitments	39.371.199	1.954.418	41.325.617	33.929.719	663.627	34.593.346
2.1.1.	Forward asset purchase commitments	355.574	860.966	1.216.540	190.701	612.957	803.658
2.1.2.	Forward deposit purchase and sales commitments	-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries	30.000	-	30.000	-	-	-
2.1.4.	Loan granting commitments	19.364.771	353	19.365.124	14.364.712	291	14.365.003
2.1.5.	Securities underwriting commitments	-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7.	Payment commitment for checks	2.707.388	-	2.707.388	2.558.758	-	2.558.758
2.1.8.	Tax and fund liabilities from export commitments	10.267	-	10.267	8.479	-	8.479
2.1.9.	Commitments for credit card expenditure limits	16.396.189	-	16.396.189	16.255.578	-	16.255.578
2.1.10.	Commitments for promotions related with credit cards and banking activities	19.721	-	19.721	34.278	-	34.278
2.1.11.	Receivables from short sale commitments	-	-	-	-	-	-
2.1.12.	Payables for short sale commitments	-	-	-	-	-	-
2.1.13.	Other irrevocable commitments	487.289	1.093.099	1.580.388	517.213	50.379	567.592
2.2.	Revocable commitments	240.800	-	240.800	1.100.543	63.649	1.164.192
2.2.1.	Revocable loan granting commitments	240.800	-	240.800	1.100.543	63.649	1.164.192
2.2.2.	Other revocable commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	60.941.131	92.324.467	153.265.598	59.995.852	94.245.176
3.1	Derivative financial instruments for hedging purposes	16.730.698	21.068.526	37.799.224	14.891.873	21.742.737	36.634.610
3.1.1	Fair value hedge	3.456.411	11.638.573	15.094.984	4.300.297	13.464.154	17.764.451
3.1.2	Cash flow hedge	13.274.287	9.429.953	22.704.240	10.591.576	8.278.583	18.870.159
3.1.3	Hedge of net investment in foreign operations	-	-	-	-	-	-
3.2	Held for trading transactions	44.210.433	71.255.941	115.466.374	45.103.979	72.502.439	117.606.418
3.2.1	Forward foreign currency buy/sell transactions	4.118.082	6.260.934	10.379.016	3.972.761	4.554.462	8.527.223
3.2.1.1	Forward foreign currency transactions-buy	2.683.949	2.466.591	5.150.540	2.602.412	1.664.211	4.266.623
3.2.1.2	Forward foreign currency transactions-sell	1.434.133	3.794.343	5.228.476	1.370.349	2.890.251	4.260.600
3.2.2	Swap transactions related to foreign currency and interest rates	35.589.750	58.950.398	94.540.148	35.943.194	58.224.153	94.167.347
3.2.2.1	Foreign currency swap-buy	15.367.108	23.909.128	39.276.236	15.836.451	25.523.539	41.359.990
3.2.2.2	Foreign currency swap-sell	18.682.642	20.320.208	39.002.850	19.805.147	21.547.586	41.352.733
3.2.2.3	Interest rate swaps-buy	770.000	7.360.531	8.130.531	150.798	5.576.514	5.727.312
3.2.2.4	Interest rate swaps-sell	770.000	7.360.531	8.130.531	150.798	5.576.514	5.727.312
3.2.3	Foreign currency, interest rate and securities options	4.502.601	5.087.199	9.589.800	5.187.330	8.443.962	13.631.292
3.2.3.1	Foreign currency options-buy	2.355.495	2.402.267	4.757.762	2.727.400	4.088.589	6.815.989
3.2.3.2	Foreign currency options-sell	2.147.106	2.684.932	4.832.038	2.459.930	4.355.373	6.815.303
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	-	74.460	74.460	694	32.026	32.720
3.2.4.1	Foreign currency futures-buy	-	37.230	37.230	347	16.013	16.360
3.2.4.2	Foreign currency futures-sell	-	37.230	37.230	347	16.013	16.360
3.2.5	Interest rate futures	-	-	-	-	535.474	535.474
3.2.5.1	Interest rate futures-buy	-	-	-	-	267.737	267.737
3.2.5.2	Interest rate futures-sell	-	-	-	-	267.737	267.737
3.2.6	Other	-	882.950	882.950	-	712.362	712.362
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	518.509.096	88.699.243	607.208.339	456.270.909	82.337.037	538.607.946
IV.	ITEMS HELD IN CUSTODY	8.741.145	2.223.883	10.965.028	7.770.373	1.752.505	9.522.878
4.1.	Assets under management	4.509.095	-	4.509.095	4.494.763	-	4.494.763
4.2.	Investment securities held in custody	263.988	1.348.273	1.612.261	196.455	815.520	1.011.975
4.3.	Checks received for collection	3.047.124	416.731	3.463.855	2.309.274	323.362	2.632.636
4.4.	Commercial notes received for collection	920.938	192.617	1.113.555	769.881	155.165	925.046
4.5.	Other assets received for collection	-	-	-	-	-	-
4.6.	Assets received for public offering	-	-	-	-	-	-
4.7.	Other items under custody	-	266.262	266.262	-	458.458	458.458
4.8.	Custodians	-	-	-	-	-	-
V.	PLEDGED ITEMS	320.129.826	47.175.906	367.305.732	274.029.387	44.825.851	318.855.238
5.1.	Marketable securities	1.059.127	3.186.362	4.245.489	889.715	3.510.280	4.399.995
5.2.	Guarantee notes	201.294	76.487	277.781	202.830	56.171	259.001
5.3.	Commodity	61.743	-	61.743	62.871	-	62.871
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	78.296.557	25.750.041	104.046.598	68.856.288	23.649.829	92.506.117
5.6.	Other pledged items	240.511.105	18.163.016	258.674.121	204.017.683	17.609.571	221.627.254
5.7.	Pledged items-depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	189.638.125	39.299.454	228.937.579	174.471.149	35.758.681	210.229.830
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		626.233.232	188.991.132	815.224.364	557.306.465	181.775.873	739.082.338

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)**

FİNANS BANK ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2016
(STATEMENT OF INCOME/LOSS)

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

III. INCOME STATEMENT

	Section 5 Part IV.	Audited 01.01 – 31.12.2016	Audited 01.01 – 31.12.2015
I. INTEREST INCOME	(1)	8.720.486	7.597.377
1.1 Interest on loans		7.735.476	6.690.203
1.2 Interest received from reserve deposits		52.930	22.770
1.3 Interest received from banks		9.917	3.109
1.4 Interest received from money market placements		74.670	128.545
1.5 Interest received from marketable securities portfolio		842.488	748.539
1.5.1 Held-for-trading financial assets		3.248	1.805
1.5.2 Financial assets at fair value through profit and loss		4.450	9.170
1.5.3 Available-for-sale financial assets		483.872	421.037
1.5.4 Investments held-to-maturity		350.918	316.527
1.6 Finance lease income		-	-
1.7 Other interest income		5.005	4.211
II. INTEREST EXPENSE	(2)	4.216.383	3.650.142
2.1 Interest on deposits		3.293.772	2.830.372
2.2 Interest on funds borrowed		342.535	255.729
2.3 Interest on money market borrowings		287.486	205.865
2.4 Interest on securities issued		279.722	350.268
2.5 Other interest expense		12.868	7.908
III. NET INTEREST INCOME (I - II)		4.504.103	3.947.235
IV. NET FEES AND COMMISSIONS INCOME		1.362.603	1.313.835
4.1 Fees and commissions received		1.684.192	1.579.877
4.1.1 Non-cash loans		69.602	58.996
4.1.2 Other		1.614.590	1.520.881
4.2 Fees and commissions paid		321.589	266.042
4.2.1 Non-cash loans		1.159	1.041
4.2.2 Other		320.430	265.001
V. DIVIDEND INCOME	(3)	57	62.872
VI. NET TRADING INCOME	(4)	(677.047)	(739.776)
6.1 Securities trading gains/ (losses)		13.989	25.151
6.2 Gains / (losses) from financial derivatives transactions		(713.488)	(663.330)
6.3 Foreign exchange gains/ (losses)		22.452	(101.597)
VII. OTHER OPERATING INCOME	(5)	410.535	225.997
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		5.600.251	4.810.163
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	1.315.946	1.170.112
X. OTHER OPERATING EXPENSES (-)	(7)	2.800.484	2.737.202
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1.483.821	902.849
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(8)	1.483.821	902.849
XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)	(9)	(280.411)	(197.077)
16.1 Current income tax charge		(182.485)	(209.735)
16.2 Deferred tax charge / benefit		(97.926)	12.658
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	1.203.410	705.772
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and entities under common control		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and entities under common control		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(8)	-	-
XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1 Current income tax charge		-	-
21.2 Deferred tax charge / benefit		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)	1.203.410	705.772
Earnings per share		0,03820	0,02241

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)

FINANS BANK ANONİM ŞİRKETİ
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2016
(STATEMENT OF OTHER COMPREHENSIVE INCOME / LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	Audited 01.01 – 31.12.2016	Audited 01.01 – 31.12.2015
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	(111.192)	(429.736)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective Portion of Fair Value Differences)	(44.530)	152.068
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion of Fair Value Differences)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	2.389	5.264
IX. DEFERRED TAX OF VALUATION DIFFERENCES	52.475	16.260
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	(100.858)	(256.144)
XI. PROFIT/LOSS	1.203.410	705.772
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	15.452	28.910
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	18.624	(34.661)
11.3 Transfer of hedge of net investments in foreign operations recycled to Income Statement	-	-
11.4 Other	1.169.334	711.523
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)	1.102.552	449.628

The accompanying notes are an integral part of these financial statement

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

FINANS BANK ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2016

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Part 5 Section V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity	
	Prior period – 01.01 – 31.12.2015																		
I.	Beginning balance		2.835.000	-	714	-	365.367	-	4.236.500	(48.141)	-	877.428	345.070	-	2.689	(40.479)	-	8.574.148	
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 the period (I-II)		2.835.000	-	714	-	365.367	-	4.236.500	(48.141)	-	877.428	345.070	-	2.689	(40.479)	-	8.574.148	
IV.	Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Marketable securities valuation differences	(1)	-	-	-	-	-	-	-	-	-	-	(382.009)	-	-	-	-	(382.009)	
VI.	Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	121.654	-	121.654	
6.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	121.654	-	121.654	
6.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Foreign exchange differences	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.	The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	The effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Capital increase	(5)	165.000	-	-	-	-	-	(165.000)	-	-	-	-	-	-	-	-	-	
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2	Internal sources		165.000	-	-	-	-	-	(165.000)	-	-	-	-	-	-	-	-	-	
XV.	Share issue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII.	Other		-	-	-	-	-	-	-	4.211	-	-	-	-	-	-	-	4.211	
XIX.	Period net income/(loss)		-	-	-	-	-	-	-	-	705.772	-	-	-	-	-	-	705.772	
XX.	Profit distribution	(3)	-	-	-	-	43.871	-	833.557	-	-	(877.428)	-	-	-	-	-	-	
20.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2	Transfers to reserves		-	-	-	-	43.871	-	833.557	-	-	(877.428)	-	-	-	-	-	-	
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Closing Balance																		
	(III+IV+V+...+XVII+XIX+XX)		3.000.000	-	714	-	409.238	-	4.905.057	(43.930)	705.772	-	(36.939)	-	2.689	81.175	-	9.023.776	

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)

FİNANS BANK ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2016

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Part 5 Section V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity
I. Current period – 01.01 – 31.12.2016																	
Beginning balance		3.000.000	-	714	-	409.238	-	4.905.057	(43.930)	-	705.772	(36.939)	-	2.689	81.175	-	9.023.776
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/decrease related to merger																	
III. Marketable securities valuation differences																	
	(1)	-	-	-	-	-	-	-	-	-	-	(67.145)	-	-	-	-	(67.145)
IV. Hedging funds (effective portion)																	
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)
4.2		-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	-	(35.624)
V. Tangible assets revaluation differences																	
VI. Intangible assets revaluation differences																	
VII. Bonus shares obtained from associates, subsidiaries and entities under common control																	
	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences																	
IX. The disposal of assets																	
X. The reclassification of assets																	
XI. The effect of change in associates' equity																	
XII. Capital increase																	
	(5)	150.000	-	-	-	-	-	(150.000)	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		150.000	-	-	-	-	-	(150.000)	-	-	-	-	-	-	-	-	-
XIII. Share issue																	
XIV. Share cancellation profits																	
XV. Inflation adjustment to paid-in capital																	
XVI. Other																	
		-	-	-	-	-	-	-	1.911	-	-	-	-	-	-	-	1.911
XVII. Period net income/(loss)																	
	(3)	-	-	-	-	-	-	-	-	1.203.410	-	-	-	-	-	-	1.203.410
XVIII. Profit distribution																	
18.1		-	-	-	-	-	-	-	-	-	(705.772)	-	-	-	-	-	-
18.2		-	-	-	-	35.289	-	-	-	-	-	-	-	-	-	-	-
18.3		-	-	-	-	35.289	-	670.483	-	-	(705.772)	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance																	
(I+II+III+...+XVI+XVII+XVIII)		3.150.000	-	714	-	444.527	-	5.425.540	(42.019)	1.203.410	-	(104.084)	-	2.689	45.551	-	10.126.328

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)

FİNANS BANK ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2016

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

VI. STATEMENT OF CASH FLOWS

	Part 5 Section V	Audited 01.01 – 31.12.2016	Audited 01.01 – 31.12.2015
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities (+)		3.442.329	1.069.496
1.1.1 Interest received (+)		8.541.236	7.171.190
1.1.2 Interest paid (-)		(4.174.654)	(3.597.827)
1.1.3 Dividend received (+)		57	62.872
1.1.4 Fees and commissions received (+)		1.671.883	1.565.207
1.1.5 Other income (+)		376.262	21.825
1.1.6 Collections from previously written off loans (+)		907.440	682.679
1.1.7 Payments to personnel and service suppliers (-)		(2.029.276)	(1.868.054)
1.1.8 Taxes paid (-)		(164.836)	(501.668)
1.1.9 Others (+/-)	(1)	(1.685.783)	(2.466.728)
1.2 Changes in operating assets and liabilities		2.862.111	1.723.276
1.2.1 Net (increase) decrease in financial assets held for trading (+/-)		10.074	(23.225)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		91.140	1.624
1.2.3 Net (increase) decrease in due from banks (+/-)		(2.511.491)	(439.264)
1.2.4 Net (increase) decrease in loans (+/-)		(3.041.790)	(7.297.363)
1.2.5 Net (increase) decrease in other assets (+/-)	(1)	(569.698)	(206.279)
1.2.6 Net increase (decrease) in bank deposits (+/-)		465.417	201.296
1.2.7 Net increase (decrease) in other deposits (+/-)		1.573.461	7.333.568
1.2.8 Net increase (decrease) in funds borrowed (+/-)		3.818.466	(160.968)
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)	(1)	3.026.532	2.313.887
I. Net cash provided from / (used in) banking operations (+/-)		6.304.440	2.792.772
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities (+/-)		(3.230.123)	253.265
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (-)		(248.078)	(18.395)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	15.762
2.3 Fixed assets purchases (-)		(157.336)	(225.816)
2.4 Fixed assets sales (+)		1.084	245.040
2.5 Cash paid for purchase of financial assets available for sale (-)		(2.337.470)	(2.163.338)
2.6 Cash obtained from sale of financial assets available for sale (+)		1.113.305	2.310.575
2.7 Cash paid for purchase of investment securities (-)		(1.478.607)	(290.680)
2.8 Cash obtained from sale of investment securities (+)		-	512.035
2.9 Others (+/-)	(1)	(123.021)	(131.918)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities (+/-)		(1.057.597)	(2.297.200)
3.1 Cash obtained from funds borrowed and securities issued (+)		1.976.423	2.669.419
3.2 Cash used for repayment of funds borrowed and securities issued (-)		(3.032.992)	(4.965.707)
3.3 Capital increase (+)		-	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance leases (-)		(1.028)	(912)
3.6 Other (+/-)		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)		92.080	24.759
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		2.108.800	773.596
VI. Cash and cash equivalents at beginning of the period (+)	(2)	3.641.584	2.867.988
VII. Cash and cash equivalents at end of the period (V+VI)	(3)	5.750.384	3.641.584

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)

FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2016

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

VII. UNCONSOLIDATED PROFIT APPROPRIATION STATEMENT

	Audited 31.12.2016(*)	Audited 31.12.2015
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 Current Year Income	1.483.821	902.849
1.2 Taxes And Duties Payable (-)	280.411	197.077
1.2.1 Corporate Tax (Income Tax)	182.485	209.735
1.2.2 Income Withholding Tax	-	-
1.2.3 Other Taxes And Duties	97.926	(12.658)
A. NET INCOME FOR THE YEAR (1.1-1.2)	1.203.410	705.772
1.3 Prior Year Losses(-)	-	-
1.4 First Legal Reserves(-)	-	35.289
1.5 Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	1.203.410	670.483
1.6 First Dividend To Shareholders(-)	-	150.000
1.6.1 To Owners Of Ordinary Shares	-	150.000(**)
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	-	520.483
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	0,03820	0,02353
3.2 To Owners Of Ordinary Shares(%)	%3,82	%2,36
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 2016 will be taken at the General Meeting.

(**) Distributed to the shareholders as bonus shares.

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)

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(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 Turkish Banking Law No: 5411 is published in the Official Gazette No: 25983 dated November 1, 2005. The Bank prepared the accompanying unconsolidated financial statements and the related disclosures and footnotes, 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, accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA"). 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.

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

Explanation for Convenience Translation to English

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

2. Classifications

None.

3. 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 in case where a specific regulation is not made by BRSA, the requirements of TAS and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2015. The amendments of TAS and TFRS, effective as of January 1, 2016, have no material impact on the Bank's counting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXV below.

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

FİNANS BANK ANONİM ŞİRKETİ **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS** **FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

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

The financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value, which are financial assets designated at fair value through profit or loss, available for sale financial assets, subsidiaries, joint ventures, trading derivative financial assets, and hedging 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 TAS 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 are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (2011 version) which have been published as of reporting date but have not been effective yet, have no impact on the accounting policies, financial condition and performance of the Bank. TFRS 9 Financial Instruments standard will mainly effect Bank's classification and valuation of financial assets. Its impact has not yet been detected since it will change based on financial asset management model used and financial assets held as of transition date, The Bank is still assessing the impact of TFRS 9 Financial Instruments standard.

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 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 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 for the three main risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

The strategies for hedging exchange rate risk resulting from the Bank's foreign currency available-for-sale debt securities are 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.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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, 2016 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, 2016</u>	<u>December 31, 2015</u>
US Dollar	TL 3,5318	TL 2,9076
Euro	TL 3,6939	TL 3,1776

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

As of December 31, 2016, the net gain on exchange included in net profit is TL 22.452 (December 31, 2015 – TL 101.597 net loss on exchange).

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

Associates and Entities Under Common Control are recognized in the framework of TAS 39 “Financial Instruments: Turkish Accounting Standards related to Recognition and Measurement” 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.

IV. Explanations on forwards, option contracts and derivative instruments

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, swaption credit default swap and futures agreements.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank converts the foreign currency liquidity obtained from 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.

In accordance with TAS 39 “Financial Instruments: Recognition and Measurement”, derivative instruments are categorized as “hedging purpose” or “trading purpose” transactions. Derivatives 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 “Assets on Trading Derivatives”, “Liabilities on Trading Derivatives” or “Assets on Hedging Purpose Derivatives” and “Liabilities on Hedging Purpose Derivatives” 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. Unrealized gains and losses are reflected in the income statement in the current period.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016

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

Fair values of option contracts are calculated with option pricing models and the resulting unrealized gains and losses are reflected in the current period income statement.

Futures transactions are accounted for at settlement as of the balance sheet date and related unrealized gains and losses are presented in the current period income statement.

Fair value of credit default swaps is calculated using internal pricing models based on market data and related unrealized gains and losses are reflected in the current period income statement.

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 an average maturity of 1 month against interest rate fluctuations. 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 "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting:

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

The Bank applies fair value hedge accounting using FX swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in available for sale financial assets portfolio against interest rate fluctuations.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the long term government bonds with fixed coupon in available for sale financial assets portfolio using swap transactions as hedging instruments. The Bank performs hedge effectiveness tests at each balance sheet date.

Information on Eurobond, TL government bonds and loan portfolio, recognized as fair value hedged items, is presented in Section 3, Footnote VII. 2 and 4.

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 performs hedge effectiveness tests at each balance sheet date.

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 context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method. In accordance with the related regulation, the interest receivables and accruals of non-performing loans are cancelled and not recorded as interest income until collected.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. Explanations on Fees and Commission Income and Expenses

Fee and commission income and expenses are accounted for on an accrual basis or on effective interest rate method, except for the certain banking transactions that income is recognized immediately. Income generated through agreements or through the sale and purchases of assets on behalf of third parties, is recorded as income when collected.

VII. Explanations and Disclosures on Financial Assets

Financial assets comprise cash and cash equivalents and the contractual right to obtain cash or another financial asset from counterparty or to exchange financial assets with counterparty or the equity instrument transactions of the counterparty. Financial assets are classified in four categories; as “Financial Assets at Fair Value through Profit or Loss”, “Investment Securities Available-For-Sale”, “Investment Securities Held-To-Maturity”, and “Loans And Other Receivables”. The classification of the financial assets is determined at the initial inception of the related financial assets.

1. Financial assets at fair value through profit or loss

1.1. Trading securities

The Bank accounts for its trading securities at fair value. The interest income that is from trading securities is presented as interest income in the income statement, while the difference between the cost and the fair value of trading securities and the gain or loss resulting from the sale of these financial assets before their maturity are realized under securities trading gains / losses.

1.2. Financial assets at fair value through profit or loss

The Bank has classified its mortgage loans that were initiated between January 1, 2006 – December 31, 2007, as financial assets at fair value through profit or loss in compliance with TAS 39. These loans are presented under “Financial Assets at Fair Value through Profit or Loss” as loan and fair value differences are presented as “Securities Trading Gains (Losses)” in order to be in compliance with the balance sheet presentation.

Financial assets at fair value through profit or loss are initially recorded at cost and are measured at fair value in the following periods.

The fair value of loans presented under “Financial Assets at Fair Value through Profit or Loss” are determined under current market conditions, taking into consideration the estimated price of a transaction at the measurement date depending on sale of an asset or transfer of a liability between market participants (in other words, exit price at measurement date from the perspective of an owner of an asset or from a debtor’s).

2. Investment securities available for sale

Available for sale assets represent financial assets other than financial assets at fair value through profit or loss, loans and other receivables and investment securities held to maturity.

Premiums and discounts on investment securities available-for-sale are considered during the computation of the internal rate of return and are included in interest income in the income statement. Accrued interest income on investment securities available for sale is recognized in the income statement whereas gains and losses arising from the change in the fair values of such securities are reflected in equity under “Securities value increase fund” (Unrealized Gains/Losses on Securities). When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement. The Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity 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.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

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

Some portion of the Eurobond portfolio which has been recognized as available for sale securities 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 Investment Securities Available for Sale 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 “Securities Trading Gains/ Losses” in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. The fair 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.

3. Investment securities held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets 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 held-to-maturity financial assets is accounted in income statement.

There are no financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

4. Loans and specific provisions

Loans and receivables are carried initially by adding transaction cost to its purchase cost reflecting the fair value; except for the loans that are recorded with fair value through profit or loss and loans subject to fair value hedge. In the following periods, these loans are carried at amortized cost by using the effective interest rate method.

The Bank as explained in part IV, “Explanations on Forwards, Option Contracts and Derivative Instruments”, 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.

Provision is set for the loans that maybe doubtful and amount is charged in the current period income statement.

In the case where there is an evidence for the possibility of uncollectibility of loans, the Bank classifies related loans and receivables in non-performing loans and provides specific provision in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 26333 “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables”. The Bank provides specific provision for the loans under follow-up regarding credit risk and other factors, in accordance with the aforementioned regulation. Additionally, the Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” and accounts such provision at the liability side of the balance sheet under general loan loss provision.

The Bank also provides provision for the closely monitored loans as a result of risk assessment. These provisions are accounted for at the liability side of the balance sheet under general provisions.

The general, specific and other provisions reserved for closely monitored loans are accounted for under “Provision for Loan Losses and Other Receivables” in the income statement.

The collections made in relation to amounts that provision provided in the current period and the principle collections from the loans previously provisioned in the prior periods are offset against the “Provision for Loan and Other Receivables” in the income statement. The principal collections made related to the loans that were written-off are recorded under “Other Operating Income” and interest collections are recorded under the “Interest on Loans” account.

VIII. Explanations on Impairment of Financial Assets

It is assessed whether there is objective evidence for a financial asset or group of financial assets is impaired at each balance sheet date. Provision for impairment is provided when there is an objective evidence of impairment.

A financial asset or a group of financial assets can be impaired and impairment loss will occur only if there is objective evidence that one or more events (“loss/profit events”) have occurred after the initial recording of subject asset and that subject loss event/s have an impairment effect on future, approximate cash flows which can accurately be guessed. Future events that are expected to occur are not accounted, no matter how probable.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the “Effective interest rate method” and its carrying value. Regarding available-for-sale financial assets, impairment loss is reclassified from equity to profit or loss and is the difference between acquisition cost (less all principal repayments and amortization) and fair value, after impairment losses previously accounted for under profit or loss have been deducted.

An explanation about the impairment of loans and receivables is given in Note VII-4 of Section Three.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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. 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 5.830.870 (December 31, 2015– TL 5.089.003).

As of December 31, 2016 the Bank has no securities that are subject to lending transactions (December 31, 2015 – none).

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under “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.

XI. Explanations on Assets Held for Sale and Discontinued Operations

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

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 that were acquired due to non-performing receivables, and that do not comply with TFRS 5 criteria, in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, no.26333 as other assets and accounts for these tangible assets according to the aforementioned Communiqué.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XII. 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.

XIII. 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.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XIV. 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%.

Total payments made under operating leases are charged to income statement on a straight-line basis over the period of the lease.

The Bank has no leasing transactions as lessor.

XV. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as “contingent”. If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, a provision is provided.

XVI. 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.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016

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

XVII. 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%. 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.

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

Companies file their tax returns between the 1st and the 25th day of the fourth month following the closing of the fiscal year to which they relate and the payments are made until the end of that month.

Losses occurred due to prior year’s financial statements can be deducted from corporate income under condition that each year amounts are shown separately on Corporate Tax declaration and are not carried more than five years.

Taxes that are not been levied or notified to tax payer in five years, starting from the beginning of the year following the calendar year that the tax asset emerged are prescribed. Therefore, the tax authority can perform tax audit up to five years backwards. Besides, in case of benefiting from the decision of the document that is subject to stamp duty, yet the tax and the penalty is prescribed, after period of limitation is expired, tax asset of aforementioned document is emerged again.

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

In accordance with Turkish Accounting Standard on Income Taxes (TAS 12), the Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it’s highly probable that these will in the future create taxable profit. Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax effect in regards to transactions directly accounted for in equity, is also reflected to equity.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Transfer Pricing

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

Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

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

XVIII. 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.

XIX. Explanations on Share Issues

During current period, the paid-up capital of the Bank was increased from TL 150.000 as bonus without any contribution from first profit share 1. (1 January -31 December 2015 the Bank’s paid in capital has been increased by TL 165.000, TL 141.750 paid from first dividend with bonus shares and TL 23.250 paid from subsidiary and real estate sales fund.)

XX. 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.

XXI. Explanations on Government Incentives

As of December 31, 2016, the Bank does not have any government incentives or grants. (As of December 31, 2015 – None.)

XXII. 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.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016

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

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.

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300.000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 40.000 and TL 300.000 are considered as "Commercial Enterprise". The Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Bank also offers sectoral solution packages to these small and medium-size firms.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the 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.

Current Period (January 1 – December 31, 2016)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	1.636.457	1.527.977	1.339.669	4.504.103
Net Fees and Commissions Income	950.210	434.204	(21.811)	1.362.603
Other Operating Income and Net Trading Income	177.031	43.606	(487.149)	(266.512)
Dividend Income	-	-	57	57
Operating Income	2.763.698	2.005.787	830.766	5.600.251
Other Operating Expenses	1.585.963	964.903	249.618	2.800.484
Provision for Loan Losses and Other Receivables	656.317	818.832	(159.203)	1.315.946
Profit Before Taxes	521.418	222.052	740.351	1.483.821
Provision for Tax	-	-	-	(280.411)
Net Profit/Loss	-	-	-	1.203.410
Total Assets	23.733.749	39.189.482	33.029.665	101.503.054
Segment Assets	23.733.749	39.189.482	33.029.665	95.952.896
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	798.827
Undistributed Assets	-	-	-	4.751.331
Total Liabilities	35.177.287	16.787.719	29.823.092	101.503.054
Segment Liabilities	35.177.287	16.787.719	29.823.092	81.788.098
Undistributed Liabilities	-	-	-	9.588.628
Equity	-	-	-	10.126.328
Other Segment Accounts	344.010	209.296	60.542	613.848
Capital Expenditures	201.012	122.296	37.955	361.263
Depreciation and Amortization	142.998	87.000	22.587	252.585
Value Decrease/ (Increase)	-	-	-	-

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period (January 1 – December 31, 2015)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	1.560.783	1.265.629	1.120.823	3.947.235
Net Fees and Commissions Income	967.940	368.676	(22.781)	1.313.835
Other Operating Income and Net Trading Income	37.479	33.918	(585.176)	(513.779)
Dividend Income	-	-	62.872	62.872
Operating Income	2.566.202	1.668.223	575.738	4.810.163
Other Operating Expenses	1.662.259	834.585	240.358	2.737.202
Provision for Loan Losses and Other Receivables(-)	726.711	414.122	29.279	1.170.112
Profit Before Taxes	177.232	419.516	306.101	902.849
Provision for Tax	-	-	-	(197.077)
Net Profit/Loss	-	-	-	705.772
Total Assets	23.227.392	34.045.592	24.030.762	85.727.397
Segment Assets	23.227.392	34.045.592	24.030.762	81.303.746
Associates and Subsidiaries and Entities	-	-	-	441.999
Undistributed Assets	-	-	-	3.981.652
Total Liabilities	30.557.060	16.451.447	21.275.008	85.727.397
Segment Liabilities	30.557.060	16.451.447	21.275.008	68.283.515
Undistributed Liabilities	-	-	-	8.420.106
Equity	-	-	-	9.023.776
Other Segment Accounts	258.579	129.827	117.856	506.262
Capital Expenditures	129.591	65.065	98.242	292.898
Depreciation and Amortization	128.988	64.762	19.614	213.364
Value Decrease/ (Increase)	-	-	-	-

XXIII. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Bank was held on 24 March 2016. In the Ordinary General Assembly, it was decided to net income from 2015 operations to the Bank's shareholders.

Statement of Profit Distribution, 2015

Profit for the Period	705.772
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(35.289)
B – First Profit share to be distributed (*)	(150.000)
C – Real Estate sale income fund (KVK 5-1/e)	(145.684)
D – Extraordinary Reserves	(374.799)

(*) It has been decided for TL 150.000 reserved as the First Profit shares to be distributed to be added to Shareholder's Equity.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XXIV. 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	1.203.410	705.772
Weighted Average Amount of Shares Issued (Thousands)	31.500.000	31.500.000
Earnings Per Share	0,03820	0,02241

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 2016 is 1.500.000 (Amount of issued bonus shared in 2015 is 1.650.000)

XXV. Explanations on Other Matters

None.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of December 31, 2016 Bank’s total capital has been calculated as TL 11.241.168, Capital adequacy ratio is 14,53%. As of December 31, 2015, Bank’s total capital amounted to TL 11.193.253, Capital adequacy ratio was 15,40% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation

	Current Period December 31, 2016	1/1/2014 Amounts related to previous application(*)
Information on Equity Accounts		
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.150.000	
Share issue premiums	714	
Reserves	5.870.067	
Gains recognized in equity as per TAS	316.441	
Profit	1.203.410	
Current Period Profit	1.203.410	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
Common Equity Tier 1 Capital Before Deductions	10.543.321	
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	462.544	
Improvement costs for operating leasing	77.242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	150.233	250.388
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	690.019	
Total Common Equity Tier 1 Capital	9.853.302	

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current Period December 31, 2016	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
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 (-)	100.155	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	9.753.147	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	693.264	
Provisions (Article 8 of the Regulation on the Equity of Banks)	858.439	
Tier II Capital Before Deductions	1.551.703	
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	1.551.703	
Total Capital (The sum of Tier I Capital and Tier II Capital)	11.304.850	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.669	
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	19.013	
Other items to be defined by the BRSA (-)	32.000	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current Period December 31, 2016	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	11.241.168	
Total risk weighted amounts	77.381.442	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	%12,73	
Tier I Capital Adequacy Ratio	%12,60	
Capital Adequacy Ratio	%14,53	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	%5,38	
Capital conservation buffer requirement	%0,63	
Bank specific counter-cyclical buffer requirement	-	
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	%6,73	
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	126.643	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	33.517	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.288.394	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	858.439	
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	-	
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	693.264	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	2.520.674	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of “Regulations regarding to changes on Regulation on Equity of Banks” and taken into consideration at the end of transition process.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period December 31, 2015^(e)
COMMON EQUITY	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.000.000
Share premium	714
Share cancellation profits	-
Reserves	5.314.295
Gains recognized in equity as per TAS	207.320
Profit	705.772
Current Period Profit	705.772
Prior Period Profit	-
Provisions for Possible Risks	100.000
Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	2.689
Common Equity Before Deductions	9.330.790
Deductions from Common Equity	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	288.189
Improvement costs for operating leasing (-)	88.288
Goodwill or other intangible assets and deferred tax liability related to these items (-)	94.243
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law (-)	-
Direct and indirect investments of the Bank in its own Common Equity (-)	-
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 (-)	-
of 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 in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Common Equity	470.720
Total Common Equity	8.860.070
ADDITIONAL TIER I CAPITAL	
Capital amount and related premiums corresponding to preference shares that are not included in common equity	-
Debt instruments and premiums deemed suitable by BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2014)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital (-)	-
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 and Tier II Capital 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 (-)	-
Other items to be defined by the BRSA (-)	-
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	-

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	December 31, 2015^(*)
DEDUCTIONS FROM TIER I CAPITAL	141.365
Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1st clause of Provisional Article 2 of the Regulation on the Equity of Banks (-)	141.365
Portion of net deferred tax assets/liabilities which is not deducted from the common equity pursuant to Paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Total Tier I Capital	8.718.705
TIER II CAPITAL	
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained before 1.1.2014)	1.736.305
Sources pledged to the Bank by shareholders to be used in capital increases of the Bank	-
General Loan Loss Provisions	805.676
Tier II Capital Before Deductions	2.541.981
Direct and indirect investments of the Bank in its own Tier II Capital (-)	-
Portion of the total of net long positions of investments made in Common 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 and Tier II Capital 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 (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	2.541.981
CAPITAL BEFORE DEDUCTIONS	11.260.686
Deductions from Capital	
Loans granted contrary to the 50th and 51th Article of the Law (-)	15.456
Net book value of amounts exceeding the limit mentioned in the 1st Paragraph of Article 57 of the Law and assets acquired against overdue receivables which could not be disposed of even though five years have passed since their acquisition date(-)	13.246
Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-)	-
Amounts to be deducted from equity as per the 2nd Clause of Article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	-
Other items to be defined by the BRSA (-)	38.731
Portion of the total of net long positions of investments made in Common 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 not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital 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 not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-
Portion of the total of net long positions of investments made 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, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
TOTAL CAPITAL	11.193.253
Amounts below the Excess Limits as per the Deduction Principles	171.401
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	92.433
Amounts arising from mortgage servicing rights	-
Amounts arising from deferred tax assets based on temporary differences	78.968

December 31, 2015^(*)

Capital Requirements for Credit Risk (Related of Credit Risk Amount 0,08) (KRSY)	5.156.328
Capital Requirement for Market Risk (PRSY)	85.370
Capital Requirement for Operations Risk (ORSY)	572.223
Equity	11.193.253
Equity/(KRSY +PRSY+ORSY)*12,5*100	15,40%
Capital /((KRSY+PRSY+ORSY) *12,5*100)	12,00%
Common Equity /((KRSY+PRSY+ORSY) *12,5*100)	12,19%

(*) Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date March 31 2016, the information given in the prior period column has been calculated pursuant to former regulation.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer (*)	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	Yes	Yes	Yes	Yes
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	347	213	133	-
Par value of instrument (Currency in million)	1.148	706	442	918
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost
Original date of issuance	April 24, 2008	October 6, 2009	December 28, 2009	December 20, 2011
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	12 years	12 years	12 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends	6 months	6 months	6 months	6 months
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + 4,50%	LIBOR + 4,34%	LIBOR + 4,34%	LIBOR + 4,50%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

^(*) The aforementioned subordinated loans has been used from NBG, former shareholder of the Bank, and has been transferred to QNB as of June 15, 2016 in accordance with the share sales agreement signed between NBG and QNB on December 21, 2015.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

	1	2	3	4
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2
Incompliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes	Yes	Yes
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8-2-ğ	8-2-ğ	8-2-ğ	8-2-ğ

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

II. 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 Parent, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

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

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

Loan limits of the loan customers are revised periodically in line with the Bank's loan limit revision procedures. The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

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

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

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

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

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

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

Based on "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside", the Bank considers second group loans whose principal or interest payments are not collected at the determined dates as overdue loans. Loans whose principal or interest payments are delayed for more than 90 days and loans of borrowers which the Bank believes that the borrower lost their creditworthiness are considered as impaired loans.

The Bank calculates general loan provision for overdue loans and specific loan provision for impaired loans based on "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

The receivables of the Bank from its top 100 cash loan customers are 18% in the total cash loans (December 31, 2015 – 14%).

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

The receivables of the Bank from its top 200 cash loan customers are 21% in the total cash loans. (December 31, 2015 - 17%)

The receivables of the Bank from its top 100 non-cash loan customers are 42% in the total non-cash loans (December 31, 2015 – 43%).

The receivables of the Bank from its top 200 non-cash loan customers are 51% in the total non-cash loans. (December 31, 2015 – 50%)

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 19% (December 31, 2015 – 16%).

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 23%. (December 31, 2015 – 19%)

The general loan loss provision related with the credit risk taken by the Bank is TL 1.288.394 (December 31, 2015 – TL 1.190.403).

Provision for probable risks in the Bank’s loan portfolio amounted to TL 39.901(December 31, 2015 – TL 106.241).

	Current Period Risk Amount(*)	Average Risk Amount(**)	Prior Period Risk Amount(*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments and Central Banks	25.551.209	23.615.856	19.981.535	19.767.564
Conditional and unconditional receivables from regional or local governments	12.947	8.169	2.277	3.051
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	50.525	37.187	14.698	1.409
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	13.532.236	9.858.000	8.713.423	9.028.812
Conditional and unconditional receivables from corporates	25.046.012	25.981.857	19.155.954	18.065.890
Conditional and unconditional receivables from retail portfolios	35.544.220	30.109.629	24.349.305	23.576.436
Conditional and unconditional receivables secured by mortgages	9.208.978	10.487.581	17.376.335	16.400.776
Past due receivables	613.071	764.037	706.120	654.144
Receivables defined under high risk category by BRSA	26.627	1.184.667	7.028.162	6.816.918
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	1	492	15.882
Investment in equities	47.388	51.151	-	-
Other receivables	4.790.180	4.264.993	3.862.817	3.862.886

(*)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”).

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

Profile of significant exposures in major regions:

	Exposure Categories(*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Current Period																		
Domestic	25.551.209	12.947	50.525	-	-	3.650.268	24.728.413	35.533.994	9.207.929	613.060	57	-	-	-	-	-	3.991.353	103.339.755
EU countries	-	-	-	-	-	9.450.475	158.916	165	878	11	26.570	-	-	-	-	-	-	9.637.015
OECD countries (**)	-	-	-	-	-	72.751	6.339	5	-	-	-	-	-	-	-	-	-	79.095
Off-shore banking regions	-	-	-	-	-	20.235	52.982	29	171	-	-	-	-	-	-	-	-	73.417
USA, Canada	-	-	-	-	-	302.534	23.095	1.649	-	-	-	-	-	-	-	47.388	-	374.666
Other countries	-	-	-	-	-	35.973	76.267	8.378	-	-	-	-	-	-	-	-	-	120.618
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	798.827	798.827
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	25.551.209	12.947	50.525	-	-	13.532.236	25.046.012	35.544.220	9.208.978	613.071	26.627	-	-	-	-	47.388	4.790.180	114.423.393
	Exposure Categories(*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Prior Period																		
Domestic	19.981.535	2.277	14.698	-	-	2.244.825	18.935.723	24.346.606	17.375.502	705.499	7.004.963	-	-	-	492	-	3.420.818	94.032.938
EU countries	-	-	-	-	-	6.114.804	155.903	510	771	-	23.060	-	-	-	-	-	-	6.295.048
OECD countries (**)	-	-	-	-	-	55.863	-	177	-	-	-	-	-	-	-	-	-	56.040
Off-shore banking regions	-	-	-	-	-	31.382	28.419	39	5	-	118	-	-	-	-	-	-	59.963
USA, Canada	-	-	-	-	-	243.121	16.273	168	-	-	9	-	-	-	-	-	-	259.571
Other countries	-	-	-	-	-	23.428	19.636	1.805	57	621	12	-	-	-	-	-	-	45.559
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	441.999	441.999
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	19.981.535	2.277	14.698	-	-	8.713.423	19.155.954	24.349.305	17.376.335	706.120	7.028.162	-	-	-	492	-	3.862.817	101.191.118

(*) 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 can not 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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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	-	-	739	-	-	-	301.391	1.684.909	36.979	11.111	-	-	-	-	-	-	-	1.929.562	105.567	2.035.129
Farming and Livestock	-	-	739	-	-	-	216.581	1.663.264	34.848	11.040	-	-	-	-	-	-	-	1.901.571	24.901	1.926.472
Forestation	-	-	-	-	-	-	-	2.422	-	4	-	-	-	-	-	-	-	2.426	-	2.426
Fishing Industry	-	-	-	-	-	-	84.810	19.223	2.131	67	-	-	-	-	-	-	-	25.565	80.666	106.231
Industrial	-	12.849	5.694	-	-	-	8.725.171	3.357.382	702.931	53.835	-	-	-	-	-	-	-	5.324.180	7.533.682	12.857.862
Mining and Quarrying	-	-	-	-	-	-	163.952	66.758	23.109	168	-	-	-	-	-	-	-	145.821	108.166	253.987
Manufacturing Industry	-	-	5.694	-	-	-	6.092.384	3.275.388	675.507	53.521	-	-	-	-	-	-	-	5.028.143	5.074.351	10.102.494
Electricity, Gas, Water	-	12.849	-	-	-	-	2.468.835	15.236	4.315	146	-	-	-	-	-	-	-	150.216	2.351.165	2.501.381
Construction	-	-	1.227	-	-	-	2.741.558	2.204.515	779.333	13.202	-	-	-	-	-	-	-	4.419.767	1.320.068	5.739.835
Services	13.502.751	36	10.970	-	-	13.023.269	12.454.535	8.703.097	2.650.645	142.055	1	-	-	-	-	-	-	22.807.847	27.679.512	50.487.359
Wholesale and Retail Trade	-	-	1.021	-	-	-	4.840.134	6.879.165	849.005	119.467	1	-	-	-	-	-	-	10.000.283	2.688.510	12.688.793
Hotels and Restaurants	-	-	-	-	-	-	892.220	181.259	288.631	6.036	-	-	-	-	-	-	-	318.561	1.049.585	1.368.146
Transportation and Communications	-	-	1	-	-	-	3.220.780	637.763	55.728	6.608	-	-	-	-	-	-	-	927.699	2.993.181	3.920.880
Financial Institutions	13.502.751	33	-	-	-	13.023.269	394.741	65.389	2.970	291	-	-	-	-	-	-	-	9.741.866	17.247.578	26.989.444
Real Estate and Rent Services	-	-	-	-	-	-	1.452.962	184.936	1.141.097	1.523	-	-	-	-	-	-	-	301.863	2.478.655	2.780.518
Independent Business Services	-	-	9.573	-	-	-	425.980	399.778	131.650	4.774	-	-	-	-	-	-	-	583.984	387.771	971.755
Education Services	-	-	314	-	-	-	164.008	114.578	60.130	1.035	-	-	-	-	-	-	-	303.681	36.384	340.065
Health and Social Services	-	3	61	-	-	-	1.063.710	240.229	121.434	2.321	-	-	-	-	-	-	-	629.910	797.848	1.427.758
Other	12.048.458	62	31.895	-	-	508.967	823.357	19.594.317	5.039.090	392.868	26.626	-	-	-	-	47.388	4.790.180	37.472.992	5.830.216	43.303.208
Total	25.551.209	12.947	50.525	-	-	13.532.236	25.046.012	35.544.220	9.208.978	613.071	26.627	-	-	-	-	47.388	4.790.180	71.954.348	42.469.045	114.423.393

(*)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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

Prior Period	Exposure Categories ⁽¹⁾																	TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
Agriculture	-	-	-	-	-	-	727.315	168.812	596.888	5.518	34	-	-	-	-	-	-	1.419.843	78.724	1.498.567	
Farming and Livestock	-	-	-	-	-	-	696.973	161.216	584.054	5.065	33	-	-	-	-	-	-	1.400.939	46.402	1.447.341	
Forestation	-	-	-	-	-	-	633	1.100	1.614	21	-	-	-	-	-	-	-	3.368	-	3.368	
Fishing Industry	-	-	-	-	-	-	29.709	6.496	11.220	432	1	-	-	-	-	-	-	15.536	32.322	47.858	
Industrial	-	2.230	-	-	-	-	6.861.779	1.941.232	2.367.173	59.513	214	-	-	-	-	-	-	5.058.657	6.173.484	11.232.141	
Mining and Quarrying	-	-	-	-	-	-	157.128	34.383	62.429	390	2	-	-	-	-	-	-	135.790	118.542	254.332	
Manufacturing Industry	-	-	-	-	-	-	4.955.352	1.896.433	2.119.965	58.367	212	-	-	-	-	-	-	4.751.182	4.279.147	9.030.329	
Electricity, Gas, Water	-	2.230	-	-	-	-	1.749.299	10.416	184.779	756	-	-	-	-	-	-	-	171.685	1.775.795	1.947.480	
Construction	-	-	-	-	-	-	2.408.299	857.578	2.373.882	36.407	35	-	-	-	-	-	-	3.795.384	1.880.817	5.676.201	
Services	11.397.360	28	14.666	-	-	8.216.003	7.944.690	4.842.464	6.509.530	170.785	636	-	-	-	-	-	-	17.499.008	21.597.154	39.096.162	
Wholesale and Retail Trade	-	-	-	-	-	1	4.613.507	3.979.242	3.264.267	148.695	531	-	-	-	-	-	-	9.565.339	2.440.904	12.006.243	
Hotels and Restaurants	-	-	-	-	-	-	397.891	52.204	675.856	762	2	-	-	-	-	-	-	283.463	843.252	1.126.715	
Transportation and Communications	-	-	-	-	-	-	1.228.912	376.586	303.752	10.997	58	-	-	-	-	-	-	956.638	963.667	1.920.305	
Financial Institutions	11.397.360	22	-	-	-	8.216.002	120.261	27.688	26.704	554	2	-	-	-	-	-	-	5.077.582	14.711.011	19.788.593	
Real Estate and Rent Services	-	-	-	-	-	-	702.259	69.432	1.522.256	2.105	7	-	-	-	-	-	-	239.583	2.056.476	2.296.059	
Independent Business Services	-	-	7	-	-	-	207.287	168.661	253.281	4.518	22	-	-	-	-	-	-	481.098	152.678	633.776	
Education Services	-	-	14.656	-	-	-	88.698	47.177	131.034	626	3	-	-	-	-	-	-	252.490	29.704	282.194	
Health and Social Services	-	6	3	-	-	-	585.875	121.474	332.380	2.528	11	-	-	-	-	-	-	642.815	399.462	1.042.277	
Other	8.584.175	19	32	-	-	497.420	1.213.871	16.539.219	5.528.862	433.897	7.027.243	-	-	-	492	-	3.862.817	3.862.817	40.362.019	3.326.028	43.688.047
Total	19.981.535	2.277	14.698	-	-	8.713.423	19.155.954	24.349.305	17.376.335	706.120	7.028.162	-	-	-	492	-	3.862.817	3.862.817	68.134.911	33.056.207	101.191.118

⁽¹⁾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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Analysis of maturity-bearing exposures according to remaining maturities^(*):

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	1.754.475	51.417	71.066	362.871	11.271.551
Conditional and unconditional receivables from regional or local governments	159	-	40	417	12.273
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.362	16.480	4.272	11.439	4.383
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.234.484	1.308.095	430.713	772.995	1.819.820
Conditional and unconditional receivables from corporates	2.448.751	1.824.424	2.869.971	3.142.415	12.828.649
Conditional and unconditional receivables from retail portfolios	1.777.873	2.905.311	3.676.631	4.714.165	13.676.127
Conditional and unconditional receivables secured by mortgages	59.864	147.566	347.712	575.985	7.989.823
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	790	-	177	-	12.046
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	-	-	-	-	-
Total	10.279.758	6.253.293	7.400.582	9.580.287	47.614.672

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

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	2.371.669	13.060	7.102	31.632	8.525.431
Conditional and unconditional receivables from regional or local governments	-	296	-	-	1.934
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	1	-	2	14.506	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.747.121	1.203.221	186.307	263.216	1.197.118
Conditional and unconditional receivables from corporates	1.616.828	1.573.739	2.513.790	3.524.037	7.617.483
Conditional and unconditional receivables from retail portfolios	1.319.822	1.185.860	3.544.203	2.324.885	2.906.744
Conditional and unconditional receivables secured by mortgages	205.075	470.699	1.103.957	1.587.839	13.672.101
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	215	-	-	295.981	6.584.990
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	4.225	-	-	-	109
Total	7.264.956	4.446.875	7.355.361	8.042.096	40.505.910

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Exposures by risk weights:

Current Period Risk Weight	%0	%10	%20	%35	%50	%75	%100	150%	%200	%250	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	11.287.302	-	4.747.345	-	24.443.554	41.747.230	32.171.335	26.627	-	-	391.312
2. Exposures After Credit Risk Mitigation	9.848.524	-	1.761.031	5.663.072	23.134.366	35.014.879	28.206.273	26.627	-	-	391.312

Prior Period Risk Weight	%0	%10	%20	%50	%75	%100	150%	%200	%250	Deductions from Equity	
1. Exposures Before Credit Risk Mitigation	18.739.682	-	3.028.811	7.872.398	32.123.380	32.398.685	2.849.084	3.949.310	229.768	-	391.329
2. Exposures After Credit Risk Mitigation	16.436.016	-	1.068.608	22.262.057	22.006.177	23.985.241	2.817.076	3.909.720	229.768	-	391.329

Information by major sectors and type of counterparties:

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

Current Period

Major Sectors / Counterparties	Credit Risks ^(*)			
	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
1. Agriculture	61.495	72.212	2.413	50.200
1.1. Farming and Livestock	59.828	71.631	2.379	48.625
1.2. Forestation	133	172	14	120
1.3. Fishing	1.534	409	20	1.455
2. Industrial	468.553	234.216	12.098	407.957
2.1. Mining and Quarrying	8.907	2.615	124	8.677
2.2. Manufacturing Industry	456.946	231.228	11.966	396.761
2.3. Electricity, Gas, Water	2.700	373	8	2.519
3. Construction	255.695	117.269	5.487	241.000
4. Services	1.110.766	669.018	30.651	931.419
4.1. Wholesale and Retail Commerce	866.208	440.016	21.580	727.188
4.2. Hotel and Restaurant Services	92.204	86.209	3.557	71.827
4.3. Transportation and Communication	59.764	70.973	2.578	51.519
4.4. Financial Corporations	14.758	10.986	439	13.271
4.5. Real Estate and Loan Services	5.656	5.420	190	4.786
4.6. Independent Business Services	30.351	18.971	753	24.835
4.7. Education Services	15.664	10.846	425	14.519
4.8. Health and Social Services	26.161	25.597	1.129	23.474
5. Other	1.944.418	896.888	81.241	1.597.281
6. Total	3.840.927	1.989.603	131.890	3.227.857

(*) Represents the distribution of cash loans.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Prior Period

Major Sectors / Counterparties	Credit Risks ^(*)			
	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
1. Agriculture	13.705	34.324	2.502	13.705
1.1. Farming and Livestock	12.783	33.515	2.425	12.783
1.2. Forestation	216	81	9	216
1.3. Fishing	706	728	68	706
2. Industrial	194.089	139.052	18.172	194.052
2.1. Mining and Quarrying	5.055	1.569	122	5.055
2.2. Manufacturing Industry	188.823	137.288	18.032	188.786
2.3. Electricity, Gas, Water	211	195	18	211
3. Construction	102.238	60.915	4.426	102.234
4. Services	482.208	423.921	34.592	482.035
4.1. Wholesale and Retail Commerce	338.665	272.293	23.894	338.530
4.2. Hotel and Restaurant Services	81.708	63.201	4.416	81.684
4.3. Transportation and Communication	29.517	45.456	3.038	29.507
4.4. Financial Corporations	9.745	7.879	514	9.745
4.5. Real Estate and Loan Services	3.719	2.239	187	3.719
4.6. Independent Business Services	6.903	11.033	1.041	6.902
4.7. Education Services	1.450	6.938	438	1.448
4.8. Health and Social Services	10.501	14.882	1.064	10.500
5. Other	3.005.750	1.142.612	86.144	2.262.271
6. Total	3.797.990	1.800.824	145.836	3.054.297

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments ^(*)	Closing Balance
1. Specific Provisions	3.054.297	1.774.385	(397.227)	(1.203.598)	3.227.857
2. General Provisions	1.190.403	97.991	-	-	1.288.394

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

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments ^(*)	Closing Balance
1. Specific Provisions	2.163.326	1.299.648	(406.557)	(2.120)	3.054.297
2. General Provisions	942.661	247.742	-	-	1.190.403

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

Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué “Regulation on Capital Conservation and Countercyclical Capital buffers of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

Information on private receivables

Country	RWAs of Banking		Total
	Book for Private Sector Lending	RWAs of Trading Book	
Turkey	58.400.068	135.399	58.535.467
Malta	149.739	-	149.739
Other	91.980	-	91.980
Total	58.641.787	135.399	58.777.186

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

Risk Management and General Disclosures regarding Risk Weighted Amounts

1) GBA – Risk Management Approach of the Group

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

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. Group reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often.

b) Risk management structure: Allocation of responsibilities in the Group (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes (e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function))

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 Committee ("ORC") 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 Group, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the 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 ORC 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 Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under four groups 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.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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 Group (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)

Risk Management Strategy 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. In the Policy regarding the Strategic Risk Management, the Bank's strategic risk management framework and its role and responsibilities in this context are organized. ICAAP also takes place in the center of the Bank's strategic risk management framework.

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

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

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.

d) Key elements and scope of Risk Measurement Systems

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

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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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. Credit Risk section of the report consists of three main sub sections such as general Outlook, business Loans and retail Loans, and include;

- Basic risk appetite parameters in the Group Risk Management Strategy
- Exposures by segments, monthly and annual changes, portfolio growth
- Sector concentration and risk metrics
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS
- Detailed 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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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)

The Group puts stress testing at the center of its capital planning. The Bank's general principles on the stress testing framework can be summarized as follows:

- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario
- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the 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

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 trading securities, trading purposes derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

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

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.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

2) GB1 - Overview of Risk Weighted Assets

	Risk Weighted Amount		Minimum Capital Requirement
	31/12/2016	31/12/2015	Current Period
1. Credit Risk (excluding counterparty Credit Risk (CCR))	67.160.705	64.454.098	5.372.856
2. Standardized approach (SA)	67.160.705	64.454.098	5.372.856
3. Internal rating-based (IRB) approach	-	-	-
4. Counterparty credit risk	1.514.420	637.294	121.154
5. Standardized approach for counterparty credit Risk (SA-CCR)	1.514.420	637.294	121.154
6. Internal model method (IMM)	-	-	-
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 (RBA)	-	-	-
14. IRB Supervisory Formula Approach (SFA)	-	-	-
15. SA/simplified supervisory formula approach (SSFA)	-	-	-
16. Market risk	1.053.700	1.067.125	84.296
17. Standardized approach (SA)	1.053.700	1.067.125	84.296
18. Internal model approaches (IMM)	-	-	-
19. Operational Risk	7.652.617	7.152.784	612.209
20. Basic Indicator Approach	7.652.617	7.152.784	612.209
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	-	-	-
TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	77.381.442	73.311.301	6.190.515

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Linkages between financial statements and risk amounts

1) B1 - Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS				
		Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	13.103.883	13.103.883	-	-	-	-
Trading Financial Assets	2.792.704	-	2.769.351	-	2.099.588	-
Financial Assets at Fair Value Through Profit or Loss	22.971	22.971	-	-	-	-
Banks	273.786	273.786	-	-	-	-
Money Market Placements	1.547.549	246.944	1.300.605	-	-	-
Financial Assets Available-for-Sale (net)	7.031.948	7.031.948	2.810.237	-	-	-
Loans and Receivables	62.900.260	62.855.591	-	-	-	44.669
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	5.900.507	5.900.507	3.020.634	-	-	-
Investment in Associates (net)	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	665.618	665.618	-	-	-	-
Investment in Joint ventures (net)	129.443	129.443	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	3.443.338	-	3.443.338	-	-	-
Property And Equipment (Net)	1.833.319	1.756.077	-	-	-	77.242
Intangible Assets (Net)	280.166	-	-	-	-	250.388
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	33.517	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	1.540.279	1.532.816	-	-	-	19.013
TOTAL ASSETS	101.503.054	93.523.350	13.344.165	-	2.099.588	391.312
Liabilities						
Deposits	53.938.700	-	-	-	-	53.938.700
Derivative Financial Liabilities Held for Trading	2.601.938	-	-	-	2.042.474	559.464
Funds Borrowed	10.757.907	-	-	-	-	10.757.907
Money Markets	6.515.461	-	-	-	-	6.515.461
Marketable Securities Issued	4.311.571	-	-	-	-	4.311.571
Funds	-	-	-	-	-	-
Miscellaneous Payables	6.602.677	-	-	-	-	6.602.677
Other Liabilities	1.028.337	-	-	-	-	1.028.337
Factoring Payables	-	-	-	-	-	-
Lease Payables	940	-	-	-	-	940
Derivative Financial Liabilities Held For Hedging	426.728	-	-	-	-	426.728
Provisions	1.768.642	-	-	-	-	1.768.642
Tax Liability	188.032	-	-	-	-	188.032
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	3.235.793	-	-	-	-	3.235.793
Shareholder's Equity	10.126.328	-	-	-	-	10.126.328
TOTAL LIABILITIES	101.503.054	-	-	-	2.042.474	99.460.580

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

2) B2-The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

		a	b	c	d	e
		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	108.967.103	93.523.350	-	13.344.165	2.099.588
2	Liabilities carrying value amount under regulatory scope of consolidation	(2.042.474)		-	-	(2.042.474)
3	Total net amount under regulatory scope of consolidation	106.924.629	93.523.350		13.344.165	57.114
4	Off-Balance Sheet Amounts	54.750.427	8.855.756	-	-	-
5	Differences due to different netting rules	996.586	-	-	-	996.586
6	Difference with the result of the volatility coefficient applied to repo-style transactions	164.892	-	-	164.892	-
7	Decrease in counterparty credit risk as a result of netting	(2.332.790)	-	-	(2.332.790)	-
8	Potential credit risk amount calculated for the counterparty	823.351	-	-	823.351	-
9	Differences due to credit risk reduction	(10.768.622)	(1.324.614)	-	(9.399.339)	-
	Risk Amounts	-	101.054.492	-	2.600.279	1.053.700

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 “Available for Sale”. There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.
- c) **Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:**

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

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

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

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

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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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 trade 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 trading 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.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

Credit Risk Disclosures

A) General Information on Credit Risk

1) KRA – General Qualitative Information on Credit Risk

a) Conversion of Group’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 Group
- Credit policies and procedures at group level
- Risk Management Strategy
- Corporate, commercial and SME banking credit policies and corporate grading management documents
- Individual credit and credit cards policies

Risk Management Strategy 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 Management Strategy Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included.

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the 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,

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

- To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,
- To promote risk awareness and management culture at group level.

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.
- o 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 Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and 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, non-performing loans, watch list loans, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

Apart from these monthly reports, peer group analysis-based on capital adequacy and credit risk metrics of peer group banks- is also reported to Management and Board of Directors.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

2) CR1 – Credit quality of assets:

		a	b	c	d
		Gross carrying values of as per TAS		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	3.840.927	62.310.161	3.227.857	62.923.231
2	Debt Securities	-	12.883.269	-	12.883.269
3	Off-balance sheet exposures	-	53.293.087	41.241	53.251.846
4	Total	3.840.927	128.486.517	3.269.098	129.058.346

In accordance with “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) published at official gazette dated 1/11/2006 and numbered 26333, credit receivables identified as illiquid claims are mentioned under 1-a section as receivables at default. Off-balance sheet receivables of customers having credit at default are mentioned under 3-a section as off-balance sheet receivables at default.

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

		a
1	Defaulted loans and debt securities at end of the previous reporting period	3.797.990
2	Loans and debt securities that have defaulted since the last reporting period	1.980.618
3	Returned to non-defaulted status	-
4	Amounts written off(*)	1.198.493
5	Other changes(**)	739.188
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	3.840.927

(*) Includes the sale of legal follow-up loans receivable amounting to TL 1.195.218 in the current period.

(**) Includes collections from credits in default.

KRB – Additional disclosures related to credit quality of assets:

(a) 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) Specific provision amounts are determined in accordance with “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside” and collaterals are not deducted from the risk amounts.

(d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments by the Bank it is aimed to overcome payment difficulty of the customer through making changes such as extension of term, payment free period or interest discount. Receivables in aforementioned scope are identified as “restructured receivables”.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

e) Exposures provisioned against by major regions, major sectors and remaining maturity

Exposures provisioned against by major regions:

Country	December 31, 2016
Turkey	62.034.153
European Union (EU) Countries	162.720
USA,Canada	20.304
OECD Countries	59
Off-Shore Banking Regions	32.872
Other Countries	60.053
Total	62.310.161

Exposures provisioned against by major sectors:

	December 31, 2016
1. Agricultural	1.881.155
1.1. Farming and raising livestock	1.778.485
1.2. Forestry	2.742
1.3. Fishing	99.928
2. Manufacturing	9.929.107
2.1. Mining and Quarrying	210.495
2.2. Production	7.640.152
2.3. Electricity, Gas, Water	2.078.460
3. Construction	4.184.485
4. Services	23.306.525
4.1 Wholesale and retail trade	11.160.946
4.2 Hotel, food and beverage services	2.135.018
4.3 Transportation and telecommunication	3.605.143
4.4 Financial institutions	3.346.487
4.5 Real estate and leasing services	381.882
4.6 Self-employment services	819.582
4.7 Education services	339.226
4.8 Health and social services	1.518.241
5. Other	23.008.889
6. Total	62.310.161

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	-	12.428.249	6.158.762	18.952.384	18.344.587	6.426.179	62.310.161

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

	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	3.817.446	3.204.399	1.198.493
European Union (EU) Countries	22.692	22.674	-
USA,Canada	1	1	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	776	776	-
Other Countries	12	7	-
Total	3.840.927	3.227.857	1.198.493

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Exposures provisioned against by major sectors and Loans written off during the period as uncollectible

	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	61.495	50.200	4.733
1.1. Farming and Raising Livestock	59.828	48.625	4.370
1.2. Forestry	133	120	139
1.3. Fishing	1.534	1.455	224
2. Industrial	468.553	407.957	41.700
2.1. Mining and Quarrying	8.907	8.677	141
2.2. Production	456.946	396.761	41.494
2.3. Electricity, Gas, Water	2.700	2.519	65
3. Construction	255.695	241.000	7.974
4. Services	1.110.766	931.419	155.822
4.1. Wholesale and Retail Trade	866.208	727.188	117.815
4.2. Hotel, Food and Beverage Services	92.204	71.827	18.670
4.3. Transportation and Communication	59.764	51.519	9.181
4.4. Financial Institutions	14.758	13.271	2.242
4.5. Real Estate and Renting Services	5.656	4.786	1.208
4.6. Self-Employment Services	30.351	24.835	3.616
4.7. Educational Services	15.664	14.519	1.053
4.8. Health and Social Services	26.161	23.474	2.037
5. Other	1.944.418	1.597.281	988.264
6. Total	3.840.927	3.227.857	1.198.493

g) Aging Analysis

Overdue Days	Amount
0-30	60.419.727
31-60	960.369
61-90	930.065
90+	3.840.927
Total	66.151.088

h) Breakdown of restructured receivables based on whether or not provisions are allocated:

	Standard Loans	Loans under close monitoring	Non- performing loan
Loans subject to provision	-	-	73.703
Non- reserved Loans (*)	1.302.740	1.703.818	-
Total	1.302.740	1.703.818	73.703

(*) General provision is made for the related Loans.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

B) Credit Risk Mitigation

1) KRC - 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.

2) CR3 Credit risk mitigation techniques – overview:

		a	b	c	d	e	f	g
		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	60.885.709	2.037.522	1.202.928	-	-	-	-
2	Debt securities	12.883.269	-	-	-	-	-	-
3	TOTAL	73.768.978	2.037.522	1.202.928	-	-	-	-
4	Of which defaulted	610.893	2.177	211	-	-	-	-

C) Credit risk when standard approach is used

1) KR D – Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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

	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	24.088.287	-	24.088.287	-	7.663.203	32%
2	12.888	198	12.888	27	6.457	50%
3	14.622	94.286	14.622	34.546	49.167	100%
4	-	-	-	-	-	-
5	-	-	-	-	-	-
6	2.869.148	727.088	2.861.740	465.770	1.283.076	39%
7	19.035.311	13.448.596	18.226.914	5.659.820	23.886.735	100%
8	32.947.800	39.914.526	32.605.557	2.398.712	26.253.202	75%
9	5.636.166	333.580	5.636.166	26.906	1.982.075	35%
10	3.454.876	183.132	3.454.876	91.030	1.772.953	50%
11	613.070	-	612.861	-	449.465	73%
12	13.614	49.021	13.614	12.588	39.304	150%
13	-	-	-	-	-	-
14	-	-	-	-	-	-
15	-	-	-	-	-	-
16	4.790.180	-	4.790.180	-	3.727.680	78%
17	47.388	-	47.388	-	47.388	100%
18	93.523.350	54.750.427	92.365.093	8.689.399	67.160.705	66%

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

3) CR5 – Standard approach – exposures by asset classes and risk

	a	b	c	d	e	f	g	h	i	j
	%0	%10	%20	%35	%50	%75	%100	%150	Others	Total credit risk exposure amount (after CCF and CRM)
1	8.761.880	-	-	-	15.326.407	-	-	-	-	24.088.287
2	-	-	-	-	12.915	-	-	-	-	12.915
3	-	-	-	-	-	-	49.168	-	-	49.168
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
6	-	-	1.281.620	-	2.038.276	-	7.614	-	-	3.327.510
7	-	-	-	-	-	-	23.886.734	-	-	23.886.734
8	-	-	-	-	-	35.004.269	-	-	-	35.004.269
9	-	-	-	5.663.072	-	-	-	-	-	5.663.072
10	-	-	-	-	3.545.906	-	-	-	-	3.545.906
11	-	-	-	-	326.791	-	286.070	-	-	612.861
12	-	-	-	-	-	-	-	26.202	-	26.202
13	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	47.388	-	-	47.388
17	1.062.500	-	-	-	-	-	3.727.680	-	-	4.790.180
18	9.824.380	-	1.281.620	5.663.072	21.250.295	35.004.269	28.004.654	26.202	-	101.054.492

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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

1. Disclosures regarding counterparty credit risk

A) 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 in the framework of Derivative Products Application Instruction in line with credit risk policies since it is a type of risk reviewed in scope of credit risk although there are several differences.

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

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

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

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

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

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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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

		a	b	c	d	e	f
		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	3.879.899	823.351		1,4	1.604.412	898.540
2	Internal Model Approach						
3	Simplified Standardized Approach for Credit Risk Mitigation						
4	Comprehensive Method for Credit Risk Mitigation					995.867	349.591
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	Total						1.248.131

C) CCR2 – Credit valuation adjustment (CVA) capital charge

		a	b
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	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	1.604.412	266.289
4	Total amount of CVA capital adequacy	1.604.412	266.289

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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

	a	b	c	d	e	f	g	h	i
	%0	%10	%20	%50	%75	%100	%150	Other	Total Credit Risk
1	24.144	-	-	-	-	-	-	-	24.144
2	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-
6	-	-	479.411	1.884.071	-	-	-	-	2.363.482
7	-	-	-	-	-	201.619	-	-	201.619
8	-	-	-	-	10.610	-	-	-	10.610
9	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	424	-	424
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-
19	24.144	-	479.411	1.884.071	10.610	201.619	424	-	2.600.279

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

E) 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.

F) CCR5 – Composition of collateral for CCR exposure:

	a	b	c	d	e	f
	Collaterals for Derivatives				Collaterals for Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	-	-	-	1.495.044	-
Cash – Foreign Currency	-	3.272.578	-	377.338	3.525.142	-
Government bond/bill- local	-	-	-	-	-	-
Government bond/bill - other	-	-	-	-	-	-
Publicly Establish bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Equity Share	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	-	3.272.578	-	377.338	5.020.186	-

G) CCR6 – Credit derivatives exposures

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold.

H) 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

I) CCR8 – Exposures to central counterparties

Related table is not presented due to the Bank has no risk against to counterparty

5. Securitization exposures:

The Parent Bank has no securitization transactions.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

6. Disclosures regarding Consolidated Market Risk

A) 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. Trading 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 Finans Bank.

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

The Group calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made 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.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

B) PR1 –Market risk under standardized approach:

		RWA (**)
		Current Period (Thousand TL)
	Outright products (*)	1.042.863
1	Interest rate risk (general and specific)	644.125
2	Equity risk (general and specific)	-
3	Foreign exchange risk	398.400
4	Commodity risk	338
	Options	10.837
5	Simplified approach	-
6	Delta-plus method	10.837
7	Scenario approach	-
8	Securitization	-
9	Total	1.053.700

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

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

7. Explanations Related to the Operational Risk

Value at operational risk is calculated with basic indicator method by using the gross profits for the last three years' (2014, 2013 and 2012) as per the "Calculation of Value at Operational Risk" of the article (3) of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" which was published in the Official Gazette No: 28337 dated June 28, 2012. As of December 31, 2016, the value at operational risk is amounting to TL 7.652.617 (December 31, 2015 - TL 7.152.788).

Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	3.826.094	4.130.877	4.287.216	4.081.396	15	612.209
Value at operational risk (Total*12,5)						7.652.617
Prior Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	3.487.483	3.826.094	4.130.877	3.814.818	15	572.223
Value at operational risk (Total*12,5)						7.152.788

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the disposal of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

Foreign Currency Exchange Rate Risk is monitored along with potential evaluation differences in foreign currency translations in accordance with "Regulations on Bank's Internal Control and Risk Management Systems". Standard method is used in measuring foreign currency exchange rate risk on a weekly basis.

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	3,5318 TL
Euro purchase rate at the date of the balance sheet	3,6939 TL

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
December 30, 2016	3,5318	3,6939
December 29, 2016	3,5329	3,6901
December 28, 2016	3,5135	3,6711
December 27, 2016	3,5041	3,6639
December 26, 2016	3,5077	3,6647

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 2016 are TL 3,4889 and TL 3,6813 respectively.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

5. Information on the foreign currency exchange rate risk of the bank

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⁾	2.705.117	6.901.877	1.567.029	11.174.023
Due From Banks	96.131	146.788	17.364	260.283
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	79.238	94.264	245	173.747
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	348.455	2.531.588	-	2.880.043
Loans and Receivables ⁽³⁾	7.764.280	8.933.378	16.922	16.714.580
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Investment Securities Held-to-Maturity	16.189	2.500.366	-	2.516.555
Derivative Financial Assets Hedging Purposes	1.298	32.263	-	33.561
Tangible Assets	-	-	48	48
Intangible Assets	-	-	-	-
Other Assets ⁽⁴⁾	239.938	161.261	5	401.204
Total Assets	11.250.646	21.301.785	1.601.613	34.154.044
Liabilities				
Bank Deposits	429.229	1.017.335	222.232	1.668.796
Foreign Currency Deposits ⁽⁵⁾	5.916.390	13.655.710	1.150.955	20.723.055
Money Market Borrowings	178.710	3.340.999	-	3.519.709
Funds Provided from Other Financial Institutions	2.488.975	10.053.256	1.350.233	13.892.464
Securities Issues ⁽⁶⁾	-	3.187.028	-	3.187.028
Sundry Creditors	2.632.641	1.756.029	1.056	4.389.726
Derivative Fin. Liabilities for Hedging Purposes	63.701	166.788	-	230.489
Other Liabilities ⁽⁷⁾	108.536	234.889	213	343.638
Total Liabilities	11.818.182	33.412.034	2.724.689	47.954.905
Net Balance Sheet Position				
	(567.536)	(12.110.249)	(1.123.076)	(13.800.861)
Net Off-Balance Sheet Position				
Financial Derivative Assets	517.755	10.393.147	1.120.232	12.031.134
Financial Derivative Liabilities	5.949.677	43.105.601	1.221.052	50.276.330
Non-Cash Loans ⁽⁸⁾	5.431.922	32.712.454	100.820	38.245.196
	2.203.845	3.737.029	72.130	6.013.004
Prior Period				
Total Assets	8.172.969	14.878.654	1.733.311	24.784.934
Total Liabilities	11.088.271	25.360.692	1.127.387	37.576.350
Net Balance Sheet Position	(2.915.302)	(10.482.038)	605.924	(12.791.416)
Net Off-Balance Sheet Position	2.672.374	10.488.686	(602.659)	12.558.401
Financial Derivative Assets	7.810.606	45.187.218	354.262	53.352.086
Financial Derivative Liabilities	5.138.232	34.698.532	956.921	40.793.685
Non-Cash Loans ⁽⁷⁾	1.304.766	2.171.515	990.103	4.466.384

(1) Cash and Balances with TR Central Bank; Other FC include TL 1.554.973 (December 31, 2015 – TL 1.694.042) precious metal deposit account.

(2) Does not include TL 38.111 (December 31, 2015 – TL 9.501) of currency income accruals arising from derivative transactions.

(3) Includes 3.859.134 (December 31, 2015 – TL 3.435.405) FC indexed loans.

(4) Does not include FC prepaid expenses amounting to TL 3.375 (December 31, 2015 – TL 4.114) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

(5) Other foreign currency includes TL 778.428 (December 31, 2015 – TL 430.694) of precious metal deposit account.

(6) Debt instrument at an amount of USD 380 million included in securities issued has been mentioned in fair value hedge accounting.

(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 41.958 (December 31, 2015 – TL 38.873)

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

As of December 31, 2016, the net foreign currency exposure of the Bank is TL 1.769.727 short position (December 31, 2015–TL 233.015 short) resulting from on balance sheet short position amounting to TL 13.800.861 (December 31, 2015 –TL 12.791.416 short) and off balance sheet long position amounting to TL 12.031.134 (December 31, 2015 – TL 12.558.401 long). As it is stated in note numbered III.5.1.d in Section Five, net foreign currency open position of the Bank is TL 427.643 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.342.084) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

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	Net Effect on	Net Effect on Profit	Net Effect on
		Loss (After Tax)	Equity (*)	or Loss (After Tax)	Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	% 10 increase	(944)	(30.001)	4.537	(9.477)
	% 10 decrease	944	30.001	(4.537)	9.477
EURO	% 10 increase	(2.681)	(3.982)	(10.178)	(10.428)
	% 10 decrease	2.681	3.982	10.178	10.428

^(*) 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 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.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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

(Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ^(*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	7.541.319	-	-	-	-	5.562.564	13.103.883
Due from Banks	52.975	-	12.182	-	-	208.629	273.786
Financial Assets at Fair Value Through Profit/Loss (**)	738	771	2.492	5.692	31.081	6.218.239	6.259.013
Money Market Placements	1.547.549	-	-	-	-	-	1.547.549
Inv. Securities Available for Sale	1.540.318	403.471	1.609.451	847.566	2.787.198	(156.056)	7.031.948
Loans and Receivables	13.603.309	7.649.617	21.808.103	15.627.319	2.672.607	1.539.305	62.900.260
Inv. Securities Held to Maturity	178.373	1.181.254	1.626.021	1.301.498	1.516.723	96.638	5.900.507
Other Assets	-	-	-	-	-	4.486.108	4.486.108
Total Assets	24.464.581	9.235.113	25.058.249	17.782.075	7.007.609	17.955.427	101.503.054
Liabilities							
Bank Deposits	1.193.196	572.973	67.578	-	-	139.238	1.972.985
Other Deposits	30.671.017	9.903.374	1.874.874	47.913	-	9.468.537	51.965.715
Money Market Borrowings	4.738.154	914.488	824.886	-	27.944	9.989	6.515.461
Sundry Creditors	4.389.726	-	-	-	-	2.212.951	6.602.677
Securities Issued	600.656	628.659	1.297.009	1.750.319	-	34.928	4.311.571
Funds Borrowed	1.988.174	3.580.705	8.335.115	16.645	351	72.710	13.993.700
Other Liabilities (***)	-	-	-	-	-	16.140.945	16.140.945
Total Liabilities	43.580.923	15.600.199	12.399.462	1.814.877	28.295	28.079.298	101.503.054
On Balance Sheet Long Position	-	-	12.658.787	15.967.198	6.979.314	-	35.605.299
On Balance Sheet Short Position	(19.116.342)	(6.365.086)	-	-	-	(10.123.871)	(35.605.299)
Off-Balance Sheet Long Position	5.138.216	11.756.849	-	-	-	-	16.895.065
Off-Balance Sheet Short Position	-	-	(1.342.029)	(9.351.397)	(2.379.841)	-	(13.073.267)
Total Position	(13.978.126)	5.391.763	11.316.758	6.615.801	4.599.473	(10.123.871)	3.821.798

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

(**) Financial Assets at Fair Value through Profit/Loss include TL 3.443.338 derivative financial assets used for hedging purposes.

(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 426.728

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing ^(*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	5.726.664	-	-	-	-	4.270.377	9.997.041
Due from Banks	98.933	5.000	-	-	-	211.969	315.902
Financial Assets at Fair Value Through Profit/Loss ^(**)	131	9.378	12.408	10.641	42.785	5.476.329	5.551.672
Money Market Placements	-	-	-	-	-	-	-
Inv. Securities Available for Sale	1.392.244	310.046	1.427.730	334.391	1.832.927	(1.852)	5.295.486
Loans and Receivables	12.585.411	7.892.441	19.432.083	14.351.621	1.154.277	1.809.797	57.225.630
Inv. Securities Held to Maturity	166.413	1.026.712	1.468.368	951.410	176.449	84.562	3.873.914
Other Assets	-	-	-	-	-	3.467.752	3.467.752
Total Assets	19.969.796	9.243.577	22.340.589	15.648.063	3.206.438	15.318.934	85.727.397
Liabilities							
Bank Deposits	1.247.544	268.133	12.689	-	-	28.404	1.556.770
Other Deposits	27.377.446	10.147.458	1.694.628	38.035	-	7.751.500	47.009.067
Money Market Borrowings	3.486.174	796.433	349.686	-	-	7.161	4.639.454
Sundry Creditors	3.417.799	-	-	-	-	2.042.291	5.460.090
Securities Issued	286.396	292.546	1.261.806	2.450.170	-	44.863	4.335.781
Funds Borrowed	875.417	1.861.337	5.493.556	31.758	-	40.467	8.302.535
Other Liabilities ^(***)	100	198	819	787	-	14.421.796	14.423.700
Total Liabilities	36.690.876	13.366.105	8.813.184	2.520.750	-	24.336.482	85.727.397
On Balance Sheet Long Position	-	-	13.527.405	13.127.313	3.206.438	-	29.861.156
On Balance Sheet Short Position	(16.721.080)	(4.122.528)	-	-	-	(9.017.548)	(29.861.156)
Off-Balance Sheet Long Position	5.075.073	8.149.847	1.652.123	-	-	-	14.877.043
Off-Balance Sheet Short Position	-	-	-	(9.587.001)	(1.796.952)	-	(11.383.953)
Total Position	(11.646.007)	4.027.319	15.179.528	3.540.312	1.409.486	(9.017.548)	3.493.090

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

(**) Financial Assets at Fair Value through Profit/Loss include TL 3.239.009 derivative financial assets used for hedging purposes.

(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 283.444.

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	-	0,75	-	3,31
Due from Banks	0,03	0,74	-	8,52
Financial Assets at Fair Value Through Profit/Loss	2,41	5,17	-	10,42
Money Market Placements	-	-	-	8,49
Investment Securities Available for Sale	3,51	4,83	-	9,45
Loans and Receivables	4,16	5,22	2,88	14,18
Investment Securities Held to Maturity	2,96	5,06	-	9,70
Liabilities				
Bank Deposits	0,29	0,94	-	9,17
Other Deposits	1,41	2,91	0,94	10,39
Money Market Borrowings	0,24	1,51	-	7,96
Sundry Creditors	0,35	0,45	-	-
Securities Issued	-	5,84	-	10,57
Funds Borrowed	1,29	3,48	-	7,65

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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	-	0,49	-	3,81
Due from Banks	0,10	0,92	-	10,86
Financial Assets at Fair Value Through Profit/Loss	1,94	4,57	-	10,94
Money Market Placements	-	-	-	-
Investment Securities Available for Sale	3,68	4,96	-	9,93
Loans and Receivables	4,23	4,57	3,65	14,46
Investment Securities Held to Maturity	2,96	5,22	-	10,01
Liabilities				
Bank Deposits	0,87	0,97	-	11,33
Other Deposits	1,62	2,13	0,25	11,78
Money Market Borrowings	0,45	0,92	-	8,03
Sundry Creditors	0,20	0,17	-	-
Securities Issued	-	5,89	-	11,90
Funds Borrowed	1,38	3,43	-	7,57

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 on a weekly basis, 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.

Available for sale securities included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VAR limits.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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	(1.011.754)	%(9,00)
	(-) 400	969.371	%8,62
2. EUR	(+) 200	(177.287)	%(1,58)
	(-) 200	205.420	%1,83
3. USD	(+) 200	(184.363)	%(1,64)
	(-) 200	232.063	%2,06
Total (of negative shocks)		1.406.854	%(12,52)
Total (of positive shocks)		(1.373.404)	%(12,22)

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

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1. Investment in Shares- grade A	-	-	-
Quoted Securities	-	-	-
2. Investment in Shares- grade B	478.959	-	478.959
Quoted Securities	478.959	-	478.959
3. Investment in Shares- grade C	-	-	-
Quoted Securities	-	-	-
4. Investment in Shares- grade Other (*)	319.868 (*)	295.254	-

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

Portfolio	Revaluation Surpluses			Unrealized Gains and Losses		
	Gains/Losses in Current Period	Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	316.069	316.069	-	-	-
2. Quoted Shares	4	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	4	316.069	316.069	-	-	-

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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.

Finans 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.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Liquidity Coverage Ratio

CURRENT PERIOD - December 31, 2016	Unweighted Amounts^(*)		Weighted Amounts^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			14.656.598	7.922.199
1. High Quality Liquid Assets	16.737.357	5.972.334	7.922.199	8.053.418
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	36.995.672	13.570.866	3.309.804	1.357.087
3. Stable deposits	7.795.265	-	389.763	-
4. Less stable deposits	29.200.407	13.570.866	2.920.041	1.357.087
5. Unsecured Funding other than Retail and Small Business Customers Deposits	19.088.522	9.616.887	12.923.535	6.738.909
6. Operational deposits	527.508	19.515	131.877	4.879
7. Non-Operational Deposits	13.430.282	6.509.745	8.198.167	3.646.403
8. Other Unsecured Funding	5.130.732	3.087.627	4.593.491	3.087.627
9. Secured funding	-	-	714.170	714.170
10. Other Cash Outflows	16.257.020	10.812.724	16.257.020	10.812.724
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	16.257.020	10.812.724	16.257.020	10.812.724
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	291.702	-	14.585	-
15. Other irrevocable or conditionally revocable commitments	52.155.766	6.929.494	3.535.477	598.412
16. TOTAL CASH OUTFLOWS			36.754.591	20.221.302
CASH INFLOWS				
17. Secured Lending Transactions	1.360.148	-	-	-
18. Unsecured Lending Transactions	7.449.795	2.382.721	4.949.734	2.181.452
19. Other contractual cash inflows	14.799.706	10.217.550	14.799.706	10.217.550
20. TOTAL CASH INFLOWS	23.609.649	12.600.271	19.749.440	12.399.002
21. TOTAL HIGH QUALITY LIQUID ASSETS			14.656.598	7.922.199
22. TOTAL NET CASH OUTFLOWS			17.005.151	7.822.300
23. Liquidity Coverage Ratio (%)			86,19%	101,28%

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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

PREVIOUS PERIOD - December 31, 2015	Unweighted Amounts^(*)		Weighted Amounts^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			13.585.278	7.377.354
1. High Quality Liquid Assets	15.280.757	9.072.833	13.585.278	7.377.354
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	32.924.299	12.722.640	2.796.206	1.147.503
3. Stable deposits	9.924.481	2.495.227	496.224	124.761
4. Less stable deposits	22.999.818	10.227.413	2.299.982	1.022.742
5. Unsecured Funding other than Retail and Small Business Customers Deposits	17.433.423	9.950.760	10.494.740	6.270.538
6. Operational deposits	543.372	23.829	135.843	5.957
7. Non-Operational Deposits	12.668.528	7.290.305	6.498.715	3.627.955
8. Other Unsecured Funding	4.221.523	2.636.626	3.860.182	2.636.626
9. Secured funding	-	-	253.941	253.941
10. Other Cash Outflows	14.969.899	9.119.362	14.969.899	9.119.362
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	14.969.899	9.119.362	14.969.899	9.119.362
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	1.089.536	6.715	54.477	336
15. Other irrevocable or conditionally revocable commitments	43.150.504	4.505.502	2.915.750	398.929
16. TOTAL CASH OUTFLOWS			31.485.013	17.190.609
CASH INFLOWS				
17. Secured Lending Transactions	1.531.481	-	-	-
18. Unsecured Lending Transactions	4.916.599	463.145	2.587.613	338.834
19. Other contractual cash inflows	13.552.810	9.413.555	13.552.809	9.413.555
20. TOTAL CASH INFLOWS	20.000.890	9.876.700	16.140.422	9.752.389
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			13.585.278	7.377.354
22. TOTAL NET CASH OUTFLOWS			15.344.591	7.438.220
23. Liquidity Coverage Ratio (%)			88,53%	99,18%

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette no. 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	105,8	23.12.2016	74,7	04.11.2016	86,4
FC	153,8	23.12.2016	80,3	11.12.2016	106,3

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

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

Funding sources of the Bank mainly consist of deposits which constitute 53 % of total liabilities of the bank (December 31, 2015 – 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 securized 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.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank	4.005.904	9.097.979	-	-	-	-	-	13.103.883
Due from Banks	208.629	52.975	-	12.182	-	-	-	273.786
Financial Assets at Fair Value Through Profit/Loss ⁽²⁾	-	722.797	540.080	1.558.975	3.246.643	190.518	-	6.259.013
Money Markets Placements	-	1.547.549	-	-	-	-	-	1.547.549
Investment Securities Available for Sale	49.186	291.553	51.417	231.491	2.543.365	3.864.936	-	7.031.948
Loans and Receivables	-	12.428.249	6.158.307	18.951.018	18.342.766	6.406.850	613.070	62.900.260
Investment Securities Held to Maturity	-	-	80.618	50.057	2.306.876	3.462.956	-	5.900.507
Other Assets	-	1.172.858	-	-	367.420	-	2.945.830	4.486.108
Total Assets	4.263.719	25.313.960	6.830.422	20.803.723	26.807.070	13.925.260	3.558.900	101.503.054
Liabilities								
Bank Deposits	136.155	1.195.558	573.497	67.775	-	-	-	1.972.985
Other Deposits	9.234.753	30.812.449	9.952.670	1.915.633	50.210	-	-	51.965.715
Funds Borrowed	-	884.910	847.755	7.312.455	4.399.497	549.083	-	13.993.700
Money Market Borrowings	-	4.742.110	584.557	514.581	151.567	522.646	-	6.515.461
Securities Issued	-	600.904	631.420	1.307.912	1.771.335	-	-	4.311.571
Sundry Creditors	-	3.284.690	85.634	193.288	3.039.065	-	-	6.602.677
Other Liabilities ⁽³⁾	-	1.465.524	531.118	772.802	1.160.564	315.967	11.894.970	16.140.945
Total Liabilities	9.370.908	42.986.145	13.206.651	12.084.446	10.572.238	1.387.696	11.894.970	101.503.054
Liquidity Excess / Gap	(5.107.189)	(17.672.185)	(6.376.229)	8.719.277	16.234.832	12.537.564	(8.336.070)	-
Net Off Balance Sheet Exposure ⁽⁴⁾								
Receivables from Derivatives	-	253.881	211.482	542.068	1.780.421	17.668	-	2.805.520
Liabilities from Derivatives	-	18.107.138	15.611.275	16.160.452	22.547.162	5.609.532	-	78.035.559
Non-cash Loans ⁽⁵⁾	-	682.951	1.432.264	4.438.990	2.025.020	325.772	4.279.013	13.184.010
Prior Period								
Total Assets	3.582.103	20.221.368	6.896.648	19.047.087	22.454.934	10.419.997	3.105.260	85.727.397
Total Liabilities	7.550.745	37.175.354	12.592.576	6.690.986	7.459.212	3.474.920	10.783.604	85.727.397
Liquidity Excess / Gap	(3.968.642)	(16.953.986)	(5.695.928)	12.356.101	14.995.722	6.945.077	(7.678.344)	-
Net Off Balance Sheet Exposure ⁽⁴⁾								
Receivables from Derivatives	-	155.552	201.826	769.845	1.501.774	63.421	-	2.692.418
Liabilities from Derivatives	-	18.374.606	9.932.419	23.640.835	22.132.466	4.386.397	-	78.466.723
Non-cash Loans ⁽⁵⁾	-	433.440	830.347	3.479.655	2.007.868	70.982	3.653.534	10.475.826

(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 10.126.328, unallocated provisions amounting to TL 1.768.642.

(2) Financial Assets at Fair Value through Profit/Loss include derivative financial assets held for hedging purposes amounting to TL 3.443.338.

(3) Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 426.728.

(4) 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

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Analysis of financial liabilities by remaining contractual maturities

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

Current Period	Demand	Up to 1		3-12		Over 5	Total	Carrying Amount
		Month	1-3 Months	Months	1-5 Years			
Bank Deposits	136.155	1.196.628	576.800	68.381	-	-	1.977.964	1.972.985
Other Deposits	9.234.753	30.892.430	9.987.534	2.032.934	54.711	-	52.202.362	51.965.715
Payables to Money Market	-	4.746.126	588.722	523.273	164.215	577.095	6.599.431	6.515.461
Funds from other Financial Institutions	-	1.205.926	866.979	7.621.005	5.121.870	566.507	15.382.287	13.993.700
Securities Issued	-	603.658	639.443	1.474.505	1.919.547	-	4.637.153	4.311.571
Noncash Loans ^(*)	4.279.013	682.951	1.432.264	4.438.990	2.025.020	325.772	13.184.010	13.184.010

Prior Period	Demand	Up to 1		3-12		Over 5	Total	Carrying Amount
		Month	1-3 Months	Months	1-5 Years			
Bank Deposits	26.037	1.250.819	269.432	12.797	-	-	1.559.085	1.556.770
Other Deposits	7.524.708	27.585.353	10.292.580	1.825.715	44.145	-	47.272.501	47.009.067
Payables to Money Market	-	3.493.834	804.042	39.965	-	326.706	4.664.547	4.639.454
Funds from other Financial Institutions	-	928.298	515.566	2.800.960	3.146.799	2.035.193	9.426.816	8.302.535
Securities Issued	-	288.735	296.440	1.439.915	2.738.698	-	4.763.788	4.335.781
Noncash Loans ^(*)	3.653.534	465.866	851.703	3.541.095	1.908.960	54.668	10.475.826	10.475.826

^(*) 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 Sell ^(**)	(2.925.301)	(1.224.732)	(1.672.828)	(13.534)	-	(5.836.395)
Swap Contracts Buy ^(*)	18.954.594	7.372.299	13.621.124	22.514.820	5.609.531	68.072.368
Swap Contracts Sell ^(*)	(18.591.925)	(7.132.995)	(12.780.577)	(20.169.643)	(5.591.864)	(64.267.004)
Futures Buy	-	1.685	34.727	818	-	37.230
Futures Sell	-	(1.685)	(34.727)	(818)	-	(37.230)
Options Buy	1.238.728	2.669.901	849.133	-	-	4.757.762
Options Sell	(1.257.010)	(2.727.322)	(847.706)	-	-	(4.832.038)
Other	-	-	282.544	600.406	-	882.950
Total	281.584	184.483	1.107.157	2.945.913	17.667	4.536.804

^(*) 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 Sell ^(**)	(2.762.992)	(911.233)	(960.933)	(27.134)	-	(4.662.292)
Swap Contracts Buy ^(*)	13.596.807	6.106.849	20.904.399	22.047.408	4.386.399	67.041.862
Swap Contracts Sell ^(*)	(13.433.997)	(5.907.471)	(20.146.303)	(19.949.348)	(4.322.976)	(63.760.095)
Futures Buy	45.984	45.918	192.195	-	-	284.097
Futures Sell	(45.984)	(45.918)	(192.195)	-	-	(284.097)
Options Buy	2.606.668	2.616.412	1.592.909	-	-	6.815.989
Options Sell	(2.623.534)	(2.620.599)	(1.571.170)	-	-	(6.815.303)
Other	-	-	-	712.362	-	712.362
Total	172.717	184.913	769.865	2.810.194	63.423	4.001.112

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

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

VII. Information regarding Leverage Ratio

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

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,24% (December 31, 2015: 6,51%). 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 derivatives, including guarantees)	93.634.277	81.424.211
(Assets deducted from capital stock)	328.574	335.554
Total risk amount related to Assets on Balance sheet	93.305.703	81.088.657
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	5.373.284	5.796.483
Potential credit risk amount of derivative financial instruments and credit derivatives	771.119	1.350.098
Total risk amount related to derivative financial instruments and credit derivatives	6.144.403	7.146.581
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	-	-
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	55.287.497	46.196.301
(Adjustment amount sourcing from multiplying to credit conversion rates)	(211.383)	(553.365)
Total risk amount related to off-balance sheet transactions	55.076.114	45.642.936
Capital and Total Risk		
Core Capital	9.646.280	8.712.330
Amount of total risk	154.526.220	133.878.174
Financial leverage ratio	%6,24	%6,51
Financial leverage ratio	%6,24	%6,51

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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.

Fair value of held to maturity investments are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

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.

	Carrying Value		Fair Value	
	Current	Prior Period	Current Period	Prior Period
Financial Assets	77.654.050	66.710.932	77.261.504	66.150.187
Money Market Placements	1.547.549	-	1.547.549	-
Due from Banks	273.786	315.902	273.786	315.902
Loans and Receivables	62.900.260	57.225.630	62.652.694	56.699.270
Available for Sale Financial Assets	7.031.948	5.295.486	7.031.948	5.295.486
Securities Held to Maturity	5.900.507	3.873.914	5.755.527	3.839.529
Financial Liabilities	85.362.109	71.303.697	85.456.635	71.341.435
Bank Deposits	1.972.985	1.556.770	1.973.153	1.557.289
Other Deposits	51.965.715	47.009.067	51.990.155	47.019.074
Funds from Other Financial Institutions	13.993.700	8.302.535	13.882.454	8.211.520
Payables to Money Market	6.515.461	4.639.454	6.515.461	4.639.454
Securities Issued	4.311.571	4.335.781	4.492.735	4.454.008
Other Debts	6.602.677	5.460.090	6.602.677	5.460.090

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

The classification of fair value calculation is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- 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);
- Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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	7.444.886	6.320.809	295.256	14.060.951
Financial Assets whose Fair Value is reflected on				
Gain/Loss	17.436	-	-	17.436
Derivative Financial Assets for Purchasing and Selling	3.781	2.771.487	-	2.775.268
Available for Sale Financial Assets	6.944.710	83.013	-	7.027.723
Loans and Receivables ^(*)	-	22.971	-	22.971
Subsidiaries, Affiliates and Entities Under Common Control	478.959	-	295.256	774.215
Derivative Financial Assets Held for Cash Flow Hedges	-	3.443.338	-	3.443.338
Financial Liabilities	502	3.028.164	-	3.028.666
Derivative Financial Assets for Purchasing and Selling	502	2.601.436	-	2.601.938
Derivative Financial Liabilities Held for Cash Flow Hedges	-	426.728	-	426.728

(*) Loans and Receivables are presented in "Financial Assets at Fair Value through Profit/Loss".

(**) Includes loans and receivables that are presented in "Financial Assets at Fair Value through Profit/Loss" and are closed before maturity.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	5.530.550	5.475.945	258.050	11.264.545
Financial Assets whose Fair Value through Profit/Loss	28.060	-	-	28.060
Assets on Trading Derivatives	313	2.236.936	-	2.237.249
Investment Securities Available for Sale	5.295.486	-	-	5.295.486
Loans and Receivables ^(*)	-	-	47.354	47.354
Subsidiaries	206.691	-	210.696	417.387
Derivative Financial Assets Hedging Purposes	-	3.239.009	-	3.239.009
Financial Liabilities	273	2.439.635	-	2.439.908
Liabilities on Trading Derivatives	273	2.156.191	-	2.156.464
Derivative Financial Liabilities for Hedging Purposes	-	283.444	-	283.444

(*) Loans and Receivables are presented in "Financial Assets at Fair Value through Profit/Loss".

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

	Current Period	Prior Period
Opening Balance	258.050	433.736
Change in total gain/loss	33.394	(166.022)
Accounted in income statement	(11.166)	(22.730)
Accounted in other comprehensive income	44.560	(143.292)
Purchases	40.000	18.395
Disposals	-	-
Matured Loans ^(*)	(13.217)	(28.059)
Sales from Level 3	(22.971)	-
Closing Balance	295.256	258.050

(*) Includes loans and receivables that are presented in "Financial Assets at Fair Value through Profit/Loss" and are closed before maturity.

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.

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

FINANS BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS

a) Cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	685.251	376.428	678.545	274.820
T.R. Central Bank	1.244.513	10.795.316	1.409.024	7.632.114
Other	96	2.279	522	2.016
Total	1.929.860	11.174.023	2.088.091	7.908.950

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.244.513	1.697.337	1.400.527	1.009.092
Restricted Time Deposits	-	9.097.979	8.497	6.623.022
Total	1.244.513	10.795.316	1.409.024	7.632.114

As of December 31, 2016, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10.5% depending on the maturity of deposits (December 31, 2015 – 5% to 11,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4,5% to 24,5% depending on the maturity of deposits and other liabilities (December 31, 2015 – 5% to 25%).

In accordance with the “Communiqué Regarding the Reserve Requirements”, the reserve requirements can be maintained as TL, USD, EUR and standard gold.

According to CBRT press release No. 2014-72 dated October 21, 2014, starting from November 2014, interest is paid on reserve requirements held in TL. Additionally, according to T. C. Central Bank press release No. 2015-35 dated May 2, 2015, starting from May 5, 2015 interest is paid on USD reserve deposits, reserve options and unrestricted deposits.

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

a) Trading securities given as collateral or blocked

Amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 2.831. None (December 31, 2015 – None).

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

None (December 31, 2015 – None).

c) Assets on trading derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	106.629	-	52.806	-
Swap Transactions	2.464.874	145.519	1.936.094	123.192
Futures Transactions	-	388	-	313
Options	3.393	54.465	-	124.844
Other	-	-	-	-
Total	2.574.896	200.372	1.988.900	248.349

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	13.186	47	9.402	51
Foreign	317	260.236	134	306.315
Foreign Head Offices and Branches	-	-	-	-
Total	13.503	260.283	9.536	306.366

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	140.196	49.059	11.284	10.112
USA and Canada	69.269	215.324	36.234	29.691
OECD Countries (*)	1.586	1.759	-	-
Off-shore Banking Regions	-	-	-	-
Other	1.984	504	-	-
Total	213.035	266.646	47.518	39.803

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

(**) Includes blocked placements amounting to TL 47.518 at foreign banks (December 31, 2015 - TL 39.803) 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	1.300.605	-	-	-
T.R Central Bank	-	-	-	-
Banks	1.300.605	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	1.300.605	-	-	-

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

5. Information on Subject to repurchase agreements and given as Collateral /blocked Investment securities available for sale

a) Investment securities available-for-sale given as collateral or blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	252.663	807.931	573.686	459.933
Subject to repurchase agreements	1.017.007	2.003.627	1.403.911	1.419.256
Total	1.269.670	2.811.558	1.977.597	1.879.189

b) Investment securities available for sale

	Current Period	Prior Period
Debt securities	7.250.707	5.392.394
Quoted on a stock exchange (*)	7.250.707	5.392.394
Unquoted on a stock exchange	-	-
Share certificates	49.293	4.824
Quoted on a stock exchange (**)	-	599 (**)
Unquoted on a stock exchange	49.293	4.225
Impairment provision(-)	(268.052)	(101.732)
Total	7.031.948	5.295.486

(*) The Eurobond Portfolio amounting to TL 1.773.444 (December 31, 2015 – TL 1.520.298) which is accounted for as investment securities available for sale was hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as Investment Securities Available for Sale in order to be in line with balance sheet presentation.

(**) As of December 31, 2015 Share certificates that are quoted on a stock exchange include “exchange traded mutual funds” amounting to TL 487.

(***) It includes 11.695 Type C Visa Inc shares transferred to the Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.

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	1.179	-	-	21.651
Corporate Shareholders	1.179	-	-	21.651
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees ^(*)	80.379	-	74.844	-
Total	81.558	-	74.844	21.651

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

b) Information on the first and second group loans and other receivables including rescheduled or restructured loans

Cash Loans ^(*)	Performing Loans and Other Receivables			Loans and Other Receivables		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized Loans	58.140.309	1.302.740	-	4.169.852	1.703.818	-
Discount Notes	842.585	-	-	10.011	-	-
Export Loans	1.314.659	-	-	192.243	-	-
Import Loans	19.170	-	-	-	-	-
Loans Given to Financial Sector	1.042.584	-	-	-	-	-
Retail Loans	13.430.577	247.454	-	775.308	267.795	-
Credit Cards	8.977.334	250.133	-	445.268	159.631	-
Other	32.513.400	805.153	-	2.747.022	1.276.392	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	58.140.309	1.302.740	-	4.169.852	1.703.818	-

^(*) The loans amounting to TL 22.971 (December 31, 2015 – TL 47.354) are classified under “Loans at Fair Value through Profit/Loss” in the financial statements.

Times Payment Plan has been restructured	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	1.283.055	1.676.945
3, 4 or 5 times	18.364	24.856
Over 5 times	1.321	2.017
Total	1.302.740	1.703.818

Payment Plan Amendment with the Extended Time	Standard Loans and Other Receivables	Loans and Other Receivables Monitoring
0 - 6 months	423.620	495.297
6 -12 months	24.713	78.106
1 - 2 years	135.711	146.286
2 - 5 years	526.346	672.849
5 years and over	192.350	311.280
Total	1.302.740	1.703.818

c) Loans according to their maturity structure

Cash Loans (*)	Performing Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	24.898.681	250.133	445.268	159.631
Non-specialized Loans	24.898.681	250.133	445.268	159.631
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	33.241.628	1.052.607	3.724.584	1.544.187
Non-specialized Loans	33.241.628	1.052.607	3.724.584	1.544.187
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	58.140.309	1.302.740	4.169.852	1.703.818

^(*) The loans amounting to TL 22.971 (December 31, 2015 – TL 47.354) are classified under “Loans at Fair Value through Profit/Loss” in the financial statements.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Consumer Loans-TL				
Housing Loans	320.863	12.443.402	12.764.265	160.423
Automobile Loans	1.694	5.034.151	5.035.845	75.598
Personal Need Loans	103	24.558	24.661	228
Other	319.066	7.384.693	7.703.759	84.597
Consumer Loans-FC Indexed	-	-	-	-
Housing Loans	-	7.911	7.911	12.019
Automobile Loans	-	7.586	7.586	11.443
Personal Need Loans	-	-	-	-
Other	-	325	325	576
Consumer Loans-FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Individual Credit Cards-TL	-	-	-	-
Installment	7.288.148	388.325	7.676.473	85.869
Non- Installment	2.669.033	388.325	3.057.358	34.216
Individual Credit Cards-FC	4.619.115	-	4.619.115	51.653
Installment	2.847	-	2.847	23
Non- Installment	-	-	-	-
Personnel Loans-TL	2.847	-	2.847	23
Housing Loans	7.844	42.286	50.130	342
Automobile Loans	-	625	625	3
Personal Need Loans	-	1	1	-
Other	7.844	41.660	49.504	339
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	28.391	-	28.391	45
Installment	11.198	-	11.198	-
Non-Installment	17.193	-	17.193	45
Personnel Credit Cards-FC	57	-	57	-
Installment	-	-	-	-
Non-Installment	57	-	57	-
Overdraft Accounts-TL (Real Persons)	1.125.464	-	1.125.464	85.331
Overdraft Accounts-FC (Real Persons)	-	-	-	-
Total	8.773.614	12.881.924	21.655.538	344.052

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Commercial Loans with Installment Facility – TL	632.531	10.271.155	10.903.686	267.901
Real Estate Loans	-	301.635	301.635	3.958
Automobile Loans	4.120	235.061	239.181	4.135
Personal Need Loans	628.411	9.734.459	10.362.870	259.808
Other	-	-	-	-
Commercial Loans with Installment Facility - FC Indexed	15.238	1.271.645	1.286.883	354.679
Real Estate Loans	-	29.019	29.019	11.439
Automobile Loans	1.206	71.286	72.492	15.796
Personal Need Loans	14.032	1.171.340	1.185.372	327.444
Other	-	-	-	-
Commercial Loans with Installment Facility – FC	-	-	-	-
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards –TL	1.602.230	8.229	1.610.459	17.958
Installment	444.800	8.229	453.029	5.052
Non-Installment	1.157.430	-	1.157.430	12.906
Corporate Credit Cards –FC	476	-	476	4
Installment	-	-	-	-
Non-Installment	476	-	476	4
Overdraft Accounts-TL (Legal Entities)	936.262	-	936.262	6.315
Overdraft Accounts-FC (Legal Entities)	-	-	-	-
Total	3.186.737	11.551.029	14.737.766	646.857

f) Loans according to borrowers (*)

	Current Period	Prior Period
Public	248.823	204.567
Private	62.061.338	56.324.724
Total	62.310.161	56.529.291

(*) The loans amounting to TL 22.971 (December 31, 2015 – TL 47.354) are classified under “Loans at Fair Value Through Profit/Loss in the financial statements.

g) Domestic and foreign loans (*)

	Current Period	Prior Period
Domestic Loans	62.029.683	56.241.729
Foreign Loans	280.478	287.562
Total	62.310.161	56.529.291

(*) The loans amounting to TL 22.971 (December 31, 2015 – TL 47.354) are classified under “Loans at Fair Value Through Profit/Loss in the financial statements.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	265.304	155.953
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	265.304	155.953

i) Specific provisions for loans

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	71.532	92.057
Doubtful Loans and Other Receivables	326.935	375.466
Uncollectible Loans and Receivables	2.829.390	2.586.774
Total	3.227.857	3.054.297

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 receivables
Current Period			
(Gross Amounts Before the Specific Provisions)	735	2.756	70.212
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	735	2.756	70.212
Prior Period			
(Gross Amounts Before the Specific Provisions)	2.471	7.336	96.276
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	2.471	7.336	96.276

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period End Balance	460.289	750.927	2.586.774
Additions (+)	1.790.074	65.627	124.917
Transfers from Other Categories of Non-Performing Loans (+)	-	1.711.726	1.699.999
Transfers to Other Categories of Non-Performing Loans (-)	1.711.726	1.699.999	-
Collections (-)	180.953	174.010	384.225
Write-offs (-)*	15	403	1.198.075
Corporate and Commercial Loans	-	-	221.780
Consumer Loans	15	402	331.745
Credit Cards	-	1	644.550
Others	-	-	-
Current Period End Balance	357.669	653.868	2.829.390
Specific Provision (-)	71.532	326.935	2.829.390
Net Balances on Balance Sheet	286.137	326.933	-

(*Credit receivables at an amount of TL 1.195.218, whose legal proceedings have begun, have been sold at a cash value of TL 163.406.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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

None (December 31, 2015 - None).

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups

	III. Group	IV. Group	Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	286.137	326.933	-
Loans to Real Persons and Legal Entities (Gross)	357.669	653.868	2.802.573
Specific provision (-)	(71.532)	(326.935)	(2.802.573)
Loans to Real Persons and Legal Entities (Net)	286.137	326.933	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	26.817
Specific provision (-)	-	-	(26.817)
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	368.232	375.461	-
Loans to Real Persons and Legal Entities (Gross)	460.289	750.927	2.561.505
Specific provision (-)	(92.057)	(375.466)	(2.561.505)
Loans to Real Persons and Legal Entities (Net)	368.232	375.461	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	25.269
Specific provision (-)	-	-	(25.269)
Other Loans and Receivables (Net)	-	-	-

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:

Unrecoverable non-performing loans under legal follow-up, in compliance with the "Provisioning Decree" and with no collateral that are deemed as uncollectible are written off by the Board of Directors' decision.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

7. Information on investment securities held-to-maturity

a) Information on financial assets held as collateral/blocked held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	566.844	125.217	96.191	-
Subject to repurchase agreements	490.816	2.319.421	1.417.955	847.881
Total	1.057.660	2.444.638	1.514.146	847.881

b) Information on financial government debt securities held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	3.383.952	1.471.352	3.009.964	110.652
Treasury Bill	-	-	-	-
Other Debt Securities	-	444.242	-	-
Total	3.383.952	1.915.594	3.009.964	110.652

c) Information on investment securities held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	3.383.952	2.516.555	3.009.964	863.950
Publicly-traded	3.383.952	2.516.555	3.009.964	863.950
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	3.383.952	2.516.555	3.009.964	863.950

d) Movement of held-to-maturity investments

	Current Period	Prior Period
Value at the beginning of the period	3.873.914	3.727.223
Exchange differences on monetary assets	369.033	171.250
Acquisitions during the year	1.478.607	290.680
Disposals through sales and redemptions	-	(512.035)
Provision for losses (-)	-	-
Valuation effect	178.953	196.796
The sum of end of the period	5.900.507	3.873.914

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

FINANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

8. Investments in associates (Net):

8.1. Investments in associates:

a) Information on the unconsolidated subsidiaries

Title	Address (City/	Bank's Share-If	Bank's Risk
Bankalararası Kart Merkezi (BKM) (*)	Istanbul/Turkey	9,23%	9,23%

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
80.262	39.897	50.529	904	-	10.403	3.869	-

b) Information on the consolidated subsidiaries:

None.

8.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	3.766	3.766
Movements During the Period	-	-
Purchases	-	-
Bonus Shares Received	-	-
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	3.766	3.766
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

8.3. Sectoral distribution of associates

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	3.766	3.766
Total	3.766	3.766

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

8.4. Quoted Associates

None (December 31, 2015 - None).

8.5. Valuation methods of investments in associates

	Current Period	Prior Period
Valued at Cost	3.766	3.766
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	3.766	3.766

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. Ibttech 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	51,00	51,00

(*)	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	46.484	24.071	16.173	-	-	1.437	1.538	-
2.	10.150	3.533	6.049	-	-	(1.602)	(1.248)	-

(*) Current period information is obtained from financial statements as of December 31, 2016, prior period profit and loss information is obtained from financial statements as of December 31, 2015.

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

FINANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries

Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. Finans Yatırım Menkul Değerler A.Ş. ^(*)	Istanbul/Turkey	99,80	100,00
2. Finans Finansal Kiralama A.Ş. ^(**)	Istanbul/Turkey	99,40	99,40
3. Hemenal Finansman A.Ş. ^(***)	Istanbul/Turkey	100,00	100,00
4. Finans Portföy Yönetimi A.Ş. ^(*)	Istanbul/Turkey	0,03	100,00
5. Finans Faktoring Hizmetleri A.Ş.	Istanbul/Turkey	99,99	100,00

(*) As per board of directors meeting dated August 11, 2016 paid in capital of "Finans Yatırım Menkul Değerler A.Ş." and "Finans Portföy Yönetimi A.Ş." representing 0,20% and 0,02% shares are acquired for TL 44 and TL 1 respectively.

(**) On February 3, 2016 in accordance with the Board of Directors of Bank, it is been decided to acquire 3.434.632 shares NBG (prior partner of the Bank) owns in Finans Finansal Kiralama A.Ş. representing the %29,87 of Finans Finansal Kiralama's equity and with TL 34.346 nominal amount for TL 128.112. Subject share transfer has occurred on February 8, 2016. Together with this transaction, the Bank's share in Finans Finansal Kiralama A.Ş. has reached 80,92%. On June 15, 2016, as a result of the Bank's share directly acquired by the QNB, administration of Finans Finansal Kiralama has been transferred to the QNB indirectly, the share of QNB in Finans Finansal Kiralama A.Ş. capital exceeds 97%. In accordance with the Communique on Right of Squeeze out and Sale issued by CMB numbered II-27.2, the right of sale of the other shareholder's has become effective within a period of foreclosure of three months (June 16, 2016 - September 16, 2016). As of December 31, 2016, the Bank's share in Finans Finansal Kiralama has reached from 80,92% to 81,41% as a result of use of aforementioned right by other shareholders except from controlling shareholder QNB. It is decided to acquire shares traded in Stock Exchange having a nominal value of TL 11.242 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17,99% of total paid capital of Finans Finansal Kiralama A.Ş. and shares not traded in Stock Exchange and having a nominal value of TL 9.444 with a total consideration of TL 77.570 in accordance with Board of Directors resolution dated November 29, 2016 and aforementioned share transfer transaction has been completed on December 15, 2016 and the Bank's share in Finans Finansal Kiralama has reached from 81,41% to 99,40%.

(***) As of November 9, 2015, acquisition of PSA Finansman Anonim Şirketi has been approved by BRSA and share transfer of subject company has been completed as of December 14, 2015. Additionally, the trade name of PSA Finansman Anonim Şirketi has been changed to Hemenal Finansman Anonim Şirketi as of April 18, 2016.

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.	268.236	127.977	3.549	9.806	1.930	36.216	27.867	76.012
2.	2.807.421	667.751	3.533	226.235	-	58.677	51.562	481.843
3.	28.615	25.601	4.427	532	-	(2.771)	(1.486)	-
4.	13.650	12.314	137	1.416	2	328	1.733	-
5.	771.472	65.692	1.395	99.837	-	7.080	3.090	64.364

(*) Fair values of publicly traded subsidiaries reflect their Istanbul Stock Exchange (ISE) values as of balance sheet date.

b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	324.954	426.813
Movements during the period	322.618	(101.859)
Purchases ^(*)	248.078	18.395
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals ^(**)	-	(14.512)
Changes Due to Reclassification	-	-
Revaluation Increase	74.540	(105.742)
Impairment Provision	-	-
Balance at the End of the Period	647.572	324.954
Capital Commitments	30.000	-
Share Percentage at the end of the Period (%)	%100	-

(*) The Bank has purchased 3.434.632 shares having a total nominal value of TL 34.346 and owned by NBG and equivalent to 29,87% of paid capital of Finans Finansal Kiralama A.Ş. which is one of its subsidiaries with a consideration amounting to TL 128.112 from NBG and 2.068.528 shares having a nominal value of TL 20.685 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17,99% of its paid capital with a consideration amounting to TL 77.570 from Finans Yatırım A.Ş. in the current period. Shares, which are equivalent to 0,20% and 0,02% of paid capital of Finans Yatırım Menkul Değerler A.Ş. and Finans Portföy Yönetimi A.Ş. respectively, have been purchased in order of TL 44 and TL 1. Finans Faktoring A.Ş. and Hemenal Finansman A.Ş. has increased its capital at an amount of TL 20.000 through paid capital increase. In previous period, Finans Faktoring A.Ş. increased its capital at an amount of TL 10.000 through paid capital increase. PSA Finansman A.Ş., whose share transfer transactions have been completed as of December 14, 2015, has been purchased with a consideration amounting to TL 8.395.

(**) Represents the cash outflow as a result of liquidation of Finans Yatırım Ortaklığı A.Ş. realized as of December 7, 2015.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

b.3) Sectoral distribution of subsidiaries

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	64.358	40.918
Leasing Companies	478.959	206.691
Finance Companies	28.395	8.395
Other Subsidiaries	75.860	68.950
Total	647.572	324.954

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	478.959	206.691
Quoted on International Stock Exchanges	-	-
Total	478.959	206.691

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

The Bank does not have any significant subsidiaries.

10. Investments in entities under common control:

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat 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. (*)	1.021.159	91.032	15.017	-	-	31.097	15.066	-
2.	50.073	28.761	24.912	-	-	7.942	7.495	-

(*) Cigna Finans Emeklilik ve Hayat A.Ş., is accounted with fair value method as Communique on Bank's Consolidated Financial Statement and Turkish Accounting Standards.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

11. Information on leasing receivables (Net)

None (December 31, 2015 - None).

12. Information on hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	2.346.595	18.509	2.292.114	18.069
Cash Flow Hedge	1.063.182	15.052	927.791	1.035
Foreign Net Investment Hedges	-	-	-	-
Total	3.409.777	33.561	3.219.905	19.104

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2016, TL 14.060 from securities (December 31, 2015 – TL 3.991), TL 3.151 (December 31, 2015 - TL 14.078) from securities issued, TL 1.298 (December 31, 2015 – none) from funds borrowed, and TL 2.346.595 (December 31, 2015 - TL 2.292.114) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans.

13. Explanations on tangible assets

	Land and Buildings	Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Prior Period End					
Cost	1.184.678	260.283	1.255	1.154.226	2.600.442
Accumulated Depreciation(-)	26.582	235.925	1.152	760.141	1.023.800
Net Book Value	1.158.096	24.358	103	394.085	1.576.642
Current Period End					
Cost at the Beginning of the Period	1.184.678	260.283	1.255	1.154.226	2.600.442
Additions	245.697	64	699	150.319	396.779
Disposals (-)(*)	3	-	-	12.815	12.818
Impairment (-) / (increase)	(29)	-	-	-	(29)
Current Period Cost	1.430.401	260.347	1.954	1.291.730	2.984.432
Accumulated Depreciation at the Beginning of the Period	26.582	235.924	1.153	760.141	1.023.800
Disposals (-)	-	-	-	12.297	12.297
Depreciation Amount	11.340	3.052	315	124.903	139.610
Current Period Accumulated Depreciation (-)	37.922	238.976	1.468	872.747	1.151.113
Net Book Value-end of the Period	1.392.479	21.371	486	418.983	1.833.319

(*) As stated in footnote in 5th Section III.5.1.d, fair value exchange difference income amortized at an amount of TL 239.377 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 29 has been booked (December 31, 2015 - TL 58 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, 2015- None)

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

- 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, 2015- None)

14. Explanations on intangible assets

	Rights	Goodwill	Total
Prior Period End			
Cost	702.012	-	702.012
Accumulated Amortization (-)	438.055	-	438.055
Net Book Value	263.957	-	263.957
Current Period End			
Cost at the Beginning of the Period	702.012	-	702.012
Additions	123.383	-	123.383
Disposals(-)	362	-	362
Impairment (-) / (increase)	-	-	-
Current Period Cost	825.033	-	825.033
Accumulated Amortization at the Beginning of the Period	438.055	-	438.055
Disposals(-)	-	-	-
Amortization Charge (-)	106.812	-	106.812
Current Period Accumulated Amortization (-)	544.867	-	544.867
Net Book Value-End of the Period	280.166	-	280.166

- 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, 2015 - None).
- b) **Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:** None (December 31, 2015 –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, 2015- None).
- d) **The book value of intangible fixed assets that are pledged or restricted for use:** None (December 31, 2015- None).
- e) **Amount of purchase commitments for intangible fixed assets:** None (December 31, 2015 - None)
- f) **Information on revalued intangible assets according to their types:** None (December 31, 2015 – None)
- g) **Amount of total research and development expenses recorded in income statement within the period if any:**
Amount of total research expenses recorded in income statement within the period is TL 2.947 (December 31, 2015 – TL 5.470).
- h) **Positive or negative consolidation goodwill on entity basis:**
None (December 31, 2015-None).
- i) **Information on goodwill:**
None (December 31, 2015-None).
Movements on goodwill in the current period:
None (December 31, 2014- None)
- 15. Explanations regarding the investment properties:** None (December 31, 2014- None).

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

14. Information on tax asset

As of December 31, 2015, the Bank has calculated deferred tax asset amounting to TL 33.517 (December 31, 2015 - TL 78.968 deferred tax liability).

According to the TAS 12, the deferred tax assets and liabilities are netted off in the accompanying financial statements. As of December 31, 2016 the Bank has presented the net amount of deferred tax asset of TL 275.791 (December 31, 2015–TL 175.147) and deferred tax liability of TL 242.274 (December 31, 2015 –TL 96.179) in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax asset amounting to TL 104.229 (December 31, 2014 –TL 51.754 deferred tax liability) is netted in the equity.

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Provision for Employee Rights	276.595	236.751	55.319	47.350
Difference Between the Book Value of Financial Assets and Tax Base	449.221	391.743	89.844	78.349
Other	653.138	247.239	130.628	49.448
Deferred Tax Assets			275.791	175.147
Difference Between the Book Value Financial Fixed Assets and Tax Base	(204.448)	(193.598)	(40.890)	(38.720)
Difference Between the Book Value of Financial Assets and Tax Base	(795.870)	(84.538)	(159.174)	(16.908)
Other	(211.048)	(202.757)	(42.210)	(40.551)
Deferred Tax Liabilities			(242.274)	(96.179)
Deferred Tax Assets/(Liabilities), Net			33.517	78.968

	Current Period	Prior Period
Deferred Tax as of January 1 Active/ (Passive) - Net	78.968	50.050
Deferred Tax (Loss) / Gain	(97.926)	12.658
Deferred Tax that is Realized Under Shareholder's Equity	52.475	16.260
December 31 Deferred Tax Active/ (Passive) - Net	33.517	78.968

17. Information on assets held for sale and discontinued operations

As of December 31, 2016 there is no tangible asset held for sale (December 31, 2015: none).

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

18. Information on other assets

18.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Cheques Receivables from Other Banks	422.788	319.655
Collateral Given for Derivative Transactions	212.792	271.452
Other Prepaid Expenses	367.420	220.249
Assets Held for Resale (net)	372.799	108.495
Miscellaneous Receivables	100.777	74.308
Prepaid rent expenses	34.132	38.905
Advances Given	3.083	14.330
Prepaid Agency Commissions	2.724	4.338
Other	23.764	54.454
Total	1.540.279	1.106.186

18.2. If other assets exceed 10% of total assets excluding the off-balance sheet items, the name and the amount of the subaccounts which create at least 20% of them are:

Details of the other assets are described above in the 18.1 section of explanations and disclosures related to assets.

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 Held for Hedging Purposes	3.409.777	33.561	3.219.905	19.104
Assets on Trading Derivatives	2.574.896	200.372	1.988.900	248.349
Loans and Receivables	708.977	217.258	935.008	131.096
Investments Securities Available for Sale	(23.660)	(181.297)	43.025	52.031
Investments Held-to-Maturity	68.347	28.291	73.776	10.784
Central Bank of Turkey	14.264	13	8.497	-
Banks	1.664	4	37	-
Trading Securities	20	(387)	165	18
Other Accruals	13.948	615	15.244	1.237
Total	6.768.233	298.430	6.284.557	462.619

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

SECTION FIVE

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity structure of deposits

Current Period								Accumulated	Total
	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Deposit Accounts	
Saving Deposits	2.518.720	-	2.909.327	14.654.307	459.007	277.111	783.479	2.809	21.604.760
Foreign Currency Deposits	3.753.110	-	1.656.252	12.809.320	833.244	398.458	493.925	318	19.944.627
Residents in Turkey	3.663.793	-	1.637.375	12.519.859	801.770	377.844	443.721	290	19.444.652
Residents Abroad	89.317	-	18.877	289.461	31.474	20.614	50.204	28	499.975
Public Sector Deposits	76.394	-	6.906	42.448	551	6.229	167	-	132.695
Commercial Deposits	2.134.434	-	1.978.239	3.806.325	67.461	295.276	120.558	-	8.402.293
Other Ins. Deposits	34.809	-	153.418	496.379	15.849	385.758	16.699	-	1.102.912
Precious Metal Deposits	717.286	-	-	1.324	1.669	1.444	56.705	-	778.428
Bank Deposits	136.155	-	200.082	1.517.852	66.711	50.041	2.144	-	1.972.985
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	9.005	-	15.734	242.252	-	2.146	2.144	-	271.281
Foreign Banks	17.936	-	184.348	1.275.600	66.711	47.895	-	-	1.592.490
Participation Banks	109.214	-	-	-	-	-	-	-	109.214
Other	-	-	-	-	-	-	-	-	-
Total	9.370.908	-	6.904.224	33.327.955	1.444.492	1.414.317	1.473.677	3.127	53.938.700

Prior Period								Accumulated	Total
	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Deposit Accounts	
Saving Deposits	1.836.314	-	2.453.079	13.626.243	628.259	260.686	880.499	3.002	19.688.082
Foreign Currency Deposits	3.309.786	-	2.090.008	11.129.390	866.874	169.550	436.221	3.306	18.005.135
Residents in Turkey	3.251.799	-	2.067.469	10.796.958	839.704	159.101	395.311	3.306	17.513.648
Residents Abroad	57.987	-	22.539	332.432	27.170	10.449	40.910	-	491.487
Public Sector Deposits	236.348	-	509	137.003	408	387	76	-	374.731
Commercial Deposits	1.730.003	-	1.710.341	3.542.286	345.933	115.456	178.330	-	7.622.349
Other Ins. Deposits	35.463	-	104.997	662.999	10.997	5.763	67.858	-	888.077
Precious Metal Deposits	376.794	-	-	4.325	101	-	49.473	-	430.693
Bank Deposits	26.037	-	133.860	1.194.672	189.475	12.244	482	-	1.556.770
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	7.652	-	110.195	105.521	-	-	-	-	223.368
Foreign Banks	18.385	-	23.665	1.089.151	189.475	12.244	482	-	1.333.402
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	7.550.745	-	6.492.794	30.296.918	2.042.047	564.086	1.612.939	6.308	48.565.837

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	11.407.962	10.434.904	10.196.172	9.249.580
Foreign Currency Savings Deposits	2.822.431	2.473.087	11.965.439	9.041.063
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	14.230.393	12.907.991	22.161.611	18.290.643

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 that are not covered under the guarantee of deposit insurance fund

	Current Period	Prior Period
Deposits and accounts in branches abroad	51.038	5.707
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close	41.646	61.131
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore	-	-
Total	92.684	66.838

2. Information on trading purpose derivatives

a) Negative value of trading purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	199.244	-	53.207	-
Swaps	2.187.605	164.211	1.829.702	153.242
Futures	-	334	-	273
Options	168	50.376	-	120.040
Other	-	-	-	-
Total	2.387.017	214.921	1.882.909	273.555

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

3. Information on funds borrowed

a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	101.236	145.034	107.591	119.321
Foreign Bank, Institutions and Funds	-	10.511.637	-	5.413.504
Total	101.236	10.656.671	107.591	5.532.825

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	101.236	3.520.047	107.591	1.932.330
Medium and Long-Term	-	7.136.624	-	3.600.495
Total	101.236	10.656.671	107.591	5.532.825

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. Credits obtained predominantly consist of funds provided by financial institutions abroad having different characteristics and maturity-interest structure such as syndication, securitization, post-financing. There exist no risk concentration on the fund sources of the Bank.

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

As of December 31, 2016, the Bank's liabilities comprise; 53% deposits (December 31, 2015 – 57%), 11% funds borrowed (December 31, 2015 – 7%), 4% issued bonds (December 31, 2015 – 5%) and 6% Money Market Debts (December 31, 2015 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	1.486.631	-	2.779.124	-
Financial institutions and organizations	1.458.885	-	2.754.209	-
Other institutions and organizations	10.315	-	10.130	-
Real persons	17.431	-	14.785	-
From foreign transactions	8.413	3.519.709	2.410	1.857.920
Financial institutions and organizations	-	3.519.709	-	1.857.920
Other institutions and organizations	8.413	-	2.241	-
Real persons	-	-	169	-
Total	1.495.044	3.519.709	2.781.534	1.857.920

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1.124.543	53.683	535.327	-
Bills	-	3.133.345	-	3.800.454
Total	1.124.543	3.187.028	535.327	3.800.454

The Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 2 Billion.

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

Other liabilities do not exceed 10% of total liabilities excluding the off-balance sheet items. (December 31, 2015 - None).

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, 2015- None).

7.2. Financial Lease Payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	786	704	1.255	1.116
Between 1 - 4 years	264	236	885	788
More than 4 years	-	-	-	-
Total	1.050	940	2.140	1.904

7.3. Information on operational lease

Operational lease payments are recognized as an expense in the income statement on a straight-line basis over the lease terms. The Bank arranges operating lease arrangements for some of its ATM and branches. The lease contract is done on a yearly basis and the payment is made upfront each year and realized as an expense under the "Other Assets" account.

7.4. Information on "Sale -and- lease back" agreements

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2015 - None).

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge ^(*)	-	190.559	-	178.808
Cash Flow Hedge ^(**)	196.239	39.930	60.229	44.407
Net Investment Hedge	-	-	-	-
Total	196.239	230.489	60.229	223.215

^(*) Derivative financial instruments for hedging purposes include swaps. As of December 31, 2016, TL 27.211 (December 31, 2015 – TL 25.804) represents the fair value of derivatives which are the hedging instruments of hedged loan portfolio, TL 163.348 (December 31, 2015 – TL 152.099) represents security portfolio. As of December 31, 2016, fair value of derivatives which are hedging instruments of hedged borrowings is none (December 31, 2015 – TL 905).

^(**) Represents the fair values of derivatives which are the hedging instruments of deposits' cash flow risk.

9. Information on provisions

9.1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	967.651	905.191
-Additional Provision for Loans and Receivables with Extended Maturities	50.911	52.253
Provisions for Loans and Receivables in Group II	181.934	167.383
-Additional Provision for Loans and Receivables with Extended Maturities	49.750	38.079
Provisions for Non - Cash Loans	99.685	85.275
Other	39.124	32.554
Total	1.288.394	1.190.403

9.2. Provision for currency exchange gain/loss on foreign currency indexed loans

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans ^(*)	438	20.065

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

9.3. Specific provisions for non-cash loans that are not indemnified and converted into cash

The specific provision for non-cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 41.241 (December 31, 2015 - TL 36.736).

9.4. 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, 2016, TL 138.930 (December 31, 2015 - TL 125.433) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2016, the Bank accrued TL 38.488 (December 31, 2015 – TL 33.200) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2016, TL 99.177 (December 31, 2015- TL 78.118) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

9.4.1. Movement of employee termination benefits

	Current Period	Prior Period
	01.01-31.12.2016	01.01-31.12.2015
As of January 1	125.433	116.324
Service Cost	18.142	18.174
Interest Cost	13.417	9.426
Settlement / curtailment / termination loss	11.420	8.624
Paid during the period	(2.389)	(5.264)
	(27.093)	(21.851)
Total	138.930	125.433

9.5. Information on other provisions

9.5.1. Information on special provisions for possible risks:

Apart from the information provided in 9.3, the other provisions are given below as follows

	Current Period	Prior Period
General reserves for possible risks	-	100.000
Other provisions made for close monitoring loans portfolio	39.901	106.241
Provision for Promotion Expenses of Credit Cards	7.707	6.458
Other Provisions	114.804	83.239
Total	162.412	295.938

As of December, The Bank has no made a provision for the possible risks in its loan portfolio by taking the collection rate of its watchlist into account. (December 31, 2015- 106.241 TL)

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2016, the Bank has TL 207.969 current tax liability (December 31, 2015 - TL 210.338) and TL 19.937 prepaid tax (December 31, 2015 - TL 154.099).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	188.032	56.239
Banking and Insurance Transaction Tax (BITT)	42.253	48.440
Taxation on Securities Income	2.013	2.008
Taxation on Real Estates Income	51.701	49.062
Other	23.658	19.756
Total	307.657	175.505

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.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	15.895	7.392
Social Security Premiums - Employer Share	16.988	8.019
Unemployment Insurance - Employee Share	1.118	520
Unemployment Insurance - Employer Share	2.235	1.041
Total	36.236	16.972

11. Information on payables related to assets held for sale

None (December 31, 2015 – None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	3.235.793	-	2.662.119
From Other Foreign Institutions	-	-	-	-
Total	-	3.235.793	-	2.662.119

The Bank received USD 650 million of subordinated loans during 2008 and USD 325 million of subordinated loans during 2009 from its former main shareholder, National Bank of Greece S.A. The loan amounting to USD 325 million which was received in 2008 is closed in 2010 to be used in capital increase. In addition, the Bank received USD 260 million subordinated loan in 2011 from National Bank of Greece S.A. Aforementioned subordinated loans are subject to interest payment every 6 months and principal payment at maturity. USD 585 million of existing subordinated loans will mature in 2021, USD 325 million will mature in 2020. In accordance with the share purchase agreement signed on 21 December 2015, mentioned subordinated loans was transferred to QNB as of June 15, 2016 with remaining unchanged all terms and conditions.

13. Information on shareholder's equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.150.000	3.000.000
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	12.000.000	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

Increase Date	Increase Amount	Cash	Profit Reserves held subject to the Increase	Capital Reserves Held Subject to the Increase
October 27, 2016	150.000	-	150.000	-

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

13.4. Information on share capital increases from revaluation funds

None (December 31, 2015 – None).

13.5. Capital commitments in the last fiscal year and at the end of the following year, 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, 2015 – None).

13.7. Information on the privileges given to stocks representing the capital

None (December 31, 2015 – None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	31.500.000	30.000.000
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	316.069	-	207.320	-
Valuation Difference	316.069	-	207.320	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	(40.675)	(379.478)	(65.962)	(178.297)
Valuation Difference	(40.675)	(379.478)	(65.962)	(178.297)
Foreign Exchange Rate Difference	-	-	-	-
Total	275.394	(379.478)	141.358	(178.297)

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
Deposits	207.571	29.299	207.107	22.050
Derivative Financial Liabilities Held for Trading	2.387.017	214.921	1.882.909	273.555
Funds Borrowed	1.385	71.325	1.667	38.800
Money Market Borrowings	1.293	8.699	2.349	4.811
Derivative Financial Liabilities Held for Hedging Purposes	196.239	230.489	60.229	223.215
Securities Issued	-	34.927	-	44.863
Other Accruals	94.880	125	44.824	78
Total	2.888.385	589.785	2.199.085	607.372

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

FINANS BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD END DECEMBER 31, 2016

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

SECTION FIVE

III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET ITEMS

1. Information related to off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Commitment For Use Guaranteed Credit Allocation	19.365.124	14.365.003
Credit Cards Limit Commitments	16.396.189	16.255.578
Payment Commitments for Cheques	2.707.388	2.558.758
Other Irrevocable Commitments	1.580.388	567.592
Forward Asset Purchase Commitments	1.216.540	803.658
Capital commitments of associates and subsidiaries	30.000	-
Commitments for promotions related with credit cards and banking activities	19.721	34.278
Tax and Fund Liabilities due to Export Commitments	10.267	8.479
Total	41.325.617	34.593.346

1.2. Type and amount of possible losses from off-balance sheet items

Specific provision is provided for the non-cash loans amounting to TL 41.241 (December 31, 2015 - TL 36.736) 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	1.255.477	795.562
Letters of Credit	1.121.818	651.319
Other Guarantees	-	-
Total	2.377.295	1.446.881

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

	Current Period	Prior Period
Provisional Letters of Guarantee	719.081	373.483
Final Letters of Guarantee	5.179.891	4.716.970
Advance Letters of Guarantee	500.730	457.160
Letters of Guarantee Given to Customs Offices	347.024	325.424
Other Letters of Guarantee	4.059.989	3.155.908
Total	10.806.715	9.028.945

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	1.116.069	771.408
Less Than or Equal to One Year with Original Maturity	256.881	95.968
More Than One Year with Original Maturity	859.188	675.440
Other Non-Cash Loans	12.067.941	9.704.418
Total	13.184.010	10.475.826

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	34.061	0,47	6.774	0,11	28.986	0,48	6.200	0,14
Farming and Raising Livestock	32.713	0,46	265	-	26.741	0,44	6.149	0,14
Forestry	251	-	-	-	963	0,02	-	-
Fishing	1.097	0,02	6.509	0,11	1.282	0,02	51	-
Manufacturing	1.047.136	14,60	2.993.067	49,78	1.083.869	18,04	2.298.573	51,46
Mining and Quarrying	49.329	0,69	32.428	0,54	52.298	0,87	19.420	0,43
Production	836.199	11,66	2.381.804	39,61	813.184	13,53	1.676.460	37,54
Electricity, gas and water	161.608	2,25	578.835	9,63	218.387	3,63	602.693	13,49
Construction	2.243.853	31,29	807.527	13,43	1.536.308	25,56	767.217	17,18
Services	3.748.165	52,28	2.155.411	35,85	3.268.772	54,39	1.371.772	30,71
Wholesale and Retail Trade	2.186.915	30,50	876.553	14,58	1.938.370	32,26	580.540	13,00
Hotel, Food and Beverage	101.628	1,42	84.316	1,40	76.266	1,27	72.025	1,61
Transportation&Communication	182.535	2,55	212.038	3,53	129.391	2,15	61.789	1,38
Financial Institutions	753.766	10,51	726.130	12,08	665.350	11,07	487.465	10,91
Real Estate and Renting Services	3.484	0,05	2.114	0,04	4.145	0,07	2.574	0,06
Self-Employment Services	257.428	3,59	46.888	0,78	211.077	3,51	36.507	0,82
Educational Services	5.747	0,08	-	-	6.667	0,11	-	-
Health and Social Services	256.662	3,58	207.372	3,45	237.506	3,95	130.872	2,93
Other	97.791	1,36	50.225	0,83	91.507	1,53	22.622	0,51
Total	7.171.006	100,00	6.013.004	100,00	6.009.442	100,0	4.466.384	100,00

4. Information on non-cash loans classified in first and second groups (*)

Current Period(*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	6.939.103	3.529.492	187.530	109.349
Bills of Exchange and Acceptances	7.421	1.248.034	-	22
Letters of Credit	5.000	1.115.882	-	936
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	6.951.524	5.893.408	187.530	110.307

(*) Does not include non-cash loans amounting to TL 41.241, for which provision is provided, but which are not indemnified and not liquidated yet.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Prior Period (*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	5.950.440	3.038.895	2.874	-
Bills of Exchange and Acceptances	23.085	772.186	-	291
Letters of Credit	5.002	646.317	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	5.978.527	4.457.398	2.874	291

(*) Does not include non-cash loans amounting to TL 36.736, for which provision is provided, but which are not indemnified and not liquidated yet.

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	99.538.902	105.707.616
Forward transactions(*)	11.595.556	9.330.881
Swap transactions	78.279.086	82.712.723
Futures transactions	74.460	32.720
Option transactions	9.589.800	13.631.292
Interest Related Derivative Transactions (II)	16.261.062	11.990.098
Forward rate transactions	-	-
Interest rate swap transactions	16.261.062	11.454.624
Interest option transactions	-	-
Futures interest transactions	-	535.474
Security option transactions	-	-
Other trading derivative transactions (III)	882.950	712.362
A.Total Trading Derivative Transactions (I+II+III)	116.682.914	118.410.076
Types of hedging transactions		
Fair value hedges	15.094.984	17.764.451
Cash flow hedges	22.704.240	18.870.159
Net investment hedges	-	-
B.Total Hedging Related Derivatives	37.799.224	36.634.610
Total Derivative Transactions (A+B)	154.482.138	155.044.686

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

As of December 31, 2016, 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	2.830.861	1.642.795	21.407.238	30.913.210	2.355.495	2.147.106	-	-	-
USD	2.198.997	3.183.658	40.432.094	28.905.387	1.975.445	2.432.743	37.230	37.230	882.950
EURO	701.431	952.940	5.045.532	4.404.674	372.903	202.619	-	-	-
Other	27.872	57.002	1.187.504	43.733	53.919	49.570	-	-	-
Total	5.759.161	5.836.395	68.072.368	64.267.004	4.757.762	4.832.038	37.230	37.230	882.950

^(*)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	2.708.325	1.455.137	20.022.379	30.812.688	2.727.400	2.459.930	347	347	-
USD	1.098.411	2.750.074	41.217.474	28.811.962	2.587.585	2.852.748	283.750	283.750	712.362
EURO	797.778	386.959	5.512.115	3.249.638	1.500.712	1.501.634	-	-	-
Other	64.075	70.122	289.894	885.807	292	991	-	-	-
Total	4.668.589	4.662.292	67.041.862	63.760.095	6.815.989	6.815.303	284.097	284.097	712.362

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

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

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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 3.532.426 (December 31, 2015 – TL 4.352.016) were subject to hedge accounting by swaps with a nominal of TL 3.456.411 (December 31, 2015 – TL 4.378.077). On December 31, 2016 the net market valuation difference income amounting to TL 23.721 due to the gain from loans amounting to TL 103.915 (December 31, 2015 – TL 155.209 loss) and losses from swaps amounting to TL 80.194 (December 31, 2015 – TL 149.945 gain) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 168.103 (December 31, 2015 – TL 156.493) have been subject to hedge accounting with swaps with a nominal amount of TL 160.939 (December 31, 2015 – TL 150.774). In 2016 TL 1.760 net fair valuation difference income, net of TL 2.379 (December 31, 2015 – TL 1.537 loss) income from loans and TL 619 (December 31, 2015 – TL 2.055 gain) loss from swaps has been recorded under “Gains / (losses) from financial derivatives transactions” on 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 21.275 (December 31, 2015 – TL 9.873) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as loss during the current period.

b) Investment securities available for sale

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 378.7 million and EUR 75.8 million (December 31, 2015 – USD 365.7 million and EUR 75.8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2016, the net market valuation difference loss amounting to TL, due to gain from Eurobonds amounting to TL 5.443 (December 31, 2015 – TL 22.427 gain) and loss from swaps amounting to TL 3.002 (December 31, 2015 – 22.647 losses) 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, 2015 - 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 283 million (December 31, 2015 – USD 650 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2016, TL 456 net fair valuation difference losses, net of TL 7.525(December 31, 2015-TL 7.225 gain) income from issued bonds and TL 7.981 (December 31, 2015 – TL 6.986 gain) income from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

d) Tangible assets

The Bank has designated fair value hedge accounting through foreign currency fundings to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Immovable having a carrying value at an amount of USD 380 million is subjected to hedge accounting with securities issued. The Main Partner Bank has recognized a cumulative amount of TL 298.423 mark to market exchange difference income (December 31, 2015 – TL 10.136) whose TL 239.377 portion is a mark-to-market exchange difference income in current period from aforementioned immovable. The aforementioned exchange difference income will be amortized through the economic life of immovable which is the subject of hedging.

e) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2015: EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference income at an amount of TL 22 sourcing from Credit at an amount of TL 2.160 losses and TL 2.182 gain from swaps is recognized under “Gain/loss from Derivative Financial Transactions.” (December 31, 2015: None)

5.2 Cash flow hedge accounting

a) 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 5.270.130 are subject to hedge accounting as hedging instruments (December 31, 2015 – TL 4.035.130). As a result of the mentioned hedge accounting, fair value losses before taxes amounting to TL 51.278 are accounted for under equity during the current period (December 31, 2015 – TL 68.398 gain). The gain amounting to TL 2 (December 31, 2015 – TL 6.970 gain) relating to the ineffective portion is accounted for at the income statement.

As of the balance sheet date, swaps with a nominal amount of USD 1.737 million (December 31, 2015 – USD 1.877 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 139 million (December 31, 2015 –EUR 139 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value losses before taxes amounting to TL 6.746 are accounted for under equity during the current period (December 31, 2015 – TL 73.534 gain). The loss amounting to TL 636 (December 31, 2015 – TL 589 losses) 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 profit of TL 18.624 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2015 – TL 5.195 gain).

The measurements as of December 31, 2016, hedge of cash flow transactions stated above are determined as effective.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2016, the Bank has no commitments “credit linked notes” (As of December 31, 2015- none)

As of December 31, 2016, “Other Derivative Financial Instruments” with nominal amount of USD 250.000.000 (December 31, 2015: USD 225.000.000) are included in Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, the Bank is the seller of the protection for USD 245.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 24.635 (December 31, 2015 - TL 37.644) for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account (Section Five, part II.9.5). 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 September 2016		FITCH August 2016		CI August 2016	
Long-Term Deposit Rating (FC)	Ba2	Long -Term Foreign Curr.	BBB	Long-Term Foreign Curr.	BB+
Long-Term Deposit Rating (TL)	Ba1	Short-Term Foreign Curr.	F2	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BBB	FC Appearance	Stable
Short-Term Deposit Rating (TL)	NP	Short-Term TL	F2	Financial Strength Rating	BBB
Main Credit Evaluation	ba3	Long-Term National	AAA(tur)	Financial Strength Appearance	Stable
Appearance	Stable	Appearance	Negative	Support	2
		Support	2		
		Financial Capacity Rating	bbb-		

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

SECTION FIVE

IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.458.341	42.704	3.107.011	48.183
Medium and Long-Term Loans	3.623.367	516.563	3.025.029	386.720
Non-Performing Loans	94.501	-	123.260	-
Resource Utilization Support Fund	-	-	-	-
Total	7.176.209	559.267	6.255.300	434.903

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	756	-	1
Domestic Banks	2.422	23	1.095	7
Foreign Banks	1.494	5.222	156	1.850
Foreign Headquarters and Branches	-	-	-	-
Total	3.916	6.001	1.251	1.858

(*) The interest income on Required Reserve amounting TL 52.930 is not included into interest income on Banks. (December 31, 2015: TL 22.770).

c) Information on interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	3.248	-	1.587	218
Financial Assets at FVTPL	4.231	219	8.595	575
Investment Securities Available for Sale	362.729	121.143	315.146	105.891
Investment Securities Held to Maturity	278.755	72.163	273.657	42.870
Total	648.963	193.525	598.985	149.554

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity 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. In this context, the estimated inflation rate used is updated during the year when necessary. In this context, as of December 31, 2016, valuation of such assets is made according to estimated annual inflation rate of 7,16%.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	11.808	6.377

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	6.989	335.546	19.472	236.257
T.R. Central Bank	-	-	-	-
Domestic Banks	6.965	2.150	7.050	2.070
Foreign Banks	24	333.396	12.422	234.187
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	6.989	335.546	19.472	236.257

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	10.639	23.750

c) Information on interest expense paid to securities issued

As of December 31, 2016 interest paid to securities issued is TL 279.722 (December 31, 2015 – TL 350.268).

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	-	18.523	6.312	237	427	-	-	25.499
Saving Deposits	-	234.421	1.586.095	66.009	33.551	92.527	-	2.012.603
Public Sector Deposits	-	288	6.707	159	241	12	-	7.407
Commercial Deposits	1	182.099	454.173	59.184	21.198	19.613	-	736.268
Other Deposits	-	3.685	70.692	28.024	44.211	1.693	-	148.305
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	1	439.016	2.123.979	153.613	99.628	113.845	-	2.930.082
Foreign Currency								
Deposits	-	28.802	277.304	19.137	5.452	9.424	-	340.119
Bank Deposits	98	16.191	5.655	968	-	-	-	22.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	659	-	-	-	-	-	659
Total	98	45.652	282.959	20.105	5.452	9.424	-	363.690
Grand Total	99	484.668	2.406.938	173.718	105.080	123.269	-	3.293.772

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

Information on maturity structure of interest expense on deposits (Prior 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	-	12.979	2.050	-	-	-	-	15.029
Saving Deposits	-	199.374	1.321.852	44.370	22.409	109.226	-	1.697.231
Public Sector Deposits	-	1.830	9.105	111	37	1	-	11.084
Commercial Deposits	-	177.411	400.396	33.269	11.597	15.229	-	637.902
Other Deposits	-	6.286	125.806	2.950	32.170	20.652	-	187.864
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	397.880	1.859.209	80.700	66.213	145.108	-	2.549.110
Foreign Currency								
Deposits	-	29.694	211.119	8.305	3.316	10.559	-	262.993
Bank Deposits	25	14.170	3.249	180	-	-	-	17.624
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	645	-	-	-	-	-	645
Total	25	44.509	214.368	8.485	3.316	10.559	-	281.262
Grand Total	25	442.389	2.073.577	89.185	69.529	155.667	-	2.830.372

e) **Information on interest expense on repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements (*)	180.552	31.493	190.027	15.266

(*) Disclosed in "Interest on Money Market Transactions".

f) **Information on finance lease expenses**

	Current Period	Prior Period
Finance Lease Expenses	145	212

g) **Information on interest expense on factoring payables**

None (December 31, 2015 – None).

3. **Information on dividend income**

	Current Period	Prior Period
From Trading Securities	-	-
From Financial assets at fair value through profit and loss	-	-
From Available for Sale Financial Assets	-	-
Other	57	62.872
Total	57	62.872

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	7.724.633	19.653.911
Gains on Capital Market Operations	29.687	48.881
Derivative Financial Instruments	4.027.905	4.523.626
Foreign Exchange Gains	3.667.041	15.081.404
Trading Loss (-)	8.401.680	20.393.687
Losses on Capital Market Operations	15.698	23.730
Derivative Financial Instruments	4.741.393	5.186.956
Foreign Exchange Losses	3.644.589	15.183.001
Net Trading Income/Loss	(677.047)	(739.776)

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. In addition, amounting to TL 151.532 gain reflected in the financial statements of the Bank from the transfer of Visa Inc shares to the Visa Europe Ltd. shares that the Bank owns.

6. Provision for losses on loans and other receivables

	Current Period	Prior Period
Specific Provisions For Loans and Other Receivables	1.377.158	893.091
Loans and Receivables in Group III	258.291	211.957
Loans and Receivables in Group IV	294.699	196.853
Loans and Receivables in Group V	824.168	484.281
Provision for Loans Under Close Monitoring	(66.340)	(93)
General Provisions	97.991	247.742
Provision Expenses for Possible Losses	(100.000)	18.000
Impairment Losses on Securities	-	-
Financial assets at fair value through profit or loss	-	-
Investment securities available for sale	-	-
Impairment Losses on Associates, Subsidiaries and	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
Other	7.137	11.372
Total	1.315.946	1.170.112

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

7. Information on other operating expenses

	Current Period	Prior Period
Personnel costs	1.138.118	1.041.885
Reserve for employee termination benefits	15.886	14.372
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	139.609	117.504
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	106.812	91.810
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	6.164	4.050
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	917.505	870.426
<i>Operational lease related expenses</i>	<i>223.672</i>	<i>224.167</i>
<i>Repair and maintenance expenses</i>	<i>123.767</i>	<i>92.983</i>
<i>Advertisement expenses</i>	<i>80.002</i>	<i>66.425</i>
<i>Other expenses</i>	<i>490.064</i>	<i>486.851</i>
Losses on sales of assets	2.726	6.499
Other (*)	473.664	590.656
Total	2.800.484	2.737.202

(*) Comprising repayments amounting to TL 76.304 (December 31, 2015: TL 166.703) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the period ended December 31, 2016, net interest income in regards to continued operations of TL 4.504.103 (December 31, 2015 – 3.947.235), net fees and commission income of TL 1.362.603 (December 31, 2015 – TL 1.313.835) and other operating income of TL 410.535 (December 31, 2015 – TL225.997) 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, 2016, the Bank has recorded tax charge TL 182.485 (December 31, 2015 – TL 209.735 tax charge) and a deferred tax expense of TL 97.926 (December 30, 2015 – TL 12.658 deferred tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2015 – None).

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

Net profit of the Bank from continued operations is TL 1.203.410 (December 31, 2015 – TL 705.772).

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

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, 2015 – None).

11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods.

None

11.3. There is no profit or loss attributable to minority shares.

11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement

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

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

FINANS BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD END DECEMBER 31, 2016

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

SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of available for sale securities

Net decrease of TL 175.894 (December 31, 2015 – TL 192.403 net increase) after tax effect resulting from valuation of available for sale securities at fair values is included in “Securities Value Increase Fund” 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 2015 profit as stated below at the Ordinary General Assembly held on March 24, 2016

2015 profit distribution table:

<u>Current Year Profit</u>	<u>705.772</u>
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(35.289)
B - The First Dividend for Shareholders(*)	(150.000)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(520.483)

(*)Distributed as bonus share

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2015- Profit distribution for 2015 is detailed in footnote 3.1).

3.3. Transfers to legal reserves

	<u>Current Period</u>	<u>Prior Period</u>
Amount Transferred to Reserved from Retained Earnings	35.289	43.871

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, 2015 None).

5. Information on the other capital increase items in the statement of changes in shareholders’ equity

The Bank has increased its paid-in capital through internal reserves amounting to TL 150.000 and TL 165.000, respectively in 2016 and 2015.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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 1.685.783 (December 31, 2015 – TL 2.466.728) in “Operating profit before changes in operating assets and liabilities” consist of commissions paid amounting to TL 263.920 (December 31, 2015 – TL 262.296), net trading income/loss by TL 1.285.878 (December 31, 2015 – TL 1.788.074 net trading income/loss) and other operating expenses amounting to TL 2.707.241 (December 31, 2015 – TL 416.358).

“Other items” in changes in operating assets amounting to TL 569.698 (December 31, 2015- TL 206.279) consist of the decrease in collaterals given by TL 272.634 (December 31, 2015- TL 26.958 decrease) and the increase in other assets by TL 842.332 (December 31, 2015 - TL 233.237 increase).

“Other items” in changes in operating liabilities amounting to TL 3.026.532 (December 31, 2015- TL 2.313.887) consist of the increase in money market borrowings by TL 1.876.007 (December 31, 2015- TL 492.020 increase) and the increase in sundry debtors and other liabilities by TL 1.150.525 (December 31, 2015- TL 1.821.867 increase).

“Other items” in changes in net cash provided from banking operations amounting to TL 123.021 (December 31, 2015 – TL 131.918) 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 92.080 (December 31, 2015 – TL 24.759) as of December 31, 2016.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Current Period January 1, 2016	Prior Period January 1, 2015
Cash	955.903	839.439
Cash in TL	678.545	590.424
Cash in Foreign Currencies	274.820	248.652
Other	2.538	363
Cash Equivalents	2.685.681	2.028.549
Balances with the T.R. Central Bank	2.418.116	1.601.665
Banks	276.099	238.219
Money Market Placements	-	200.062
Less: Placements with Banks with Maturities Longer than 3 Months	-	(10.369)
Less: Accruals	(8.534)	(1.028)
Cash and Cash Equivalents	3.641.584	2.867.988

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period December 31, 2016	Prior Period December 31, 2015
Cash	1.064.054	955.903
Cash in TL	685.251	678.545
Cash in Foreign Currencies	376.428	274.820
Other	2.375	2.538
Cash Equivalents	4.686.330	2.685.681
Balances with the T.R. Central Bank	2.941.850	2.418.116
Banks	226.268	276.099
Money Market Placements	1.546.944	-
Less: Placements with Banks with Maturities Longer than 3 Months	(12.182)	-
Less: Accruals	(16.550)	(8.534)
Cash and Cash Equivalents	5.750.384	3.641.584

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 47.518 (December 31, 2015- TL 39.803) 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.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

SECTION FIVE

VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE BANK'S RISK GROUP

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

Current period transactions of Parent's Bank related to its Direct and Indirect Partners include QNB group since the share transfer of the Bank to QNB has been completed on June 15, 2016.

- 1.1.** As of December 31, 2016, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 268.869 (December 31, 2015 - TL 524.810) deposit, TL 265.304 (December 31, 2015 – TL 155.953) cash loan and TL 7.482 (December 31, 2015 - TL 33.930) non-cash loans respectively.

Current Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	155.953	11.315	-	21.651	-	964
Balance at the End of the Period	264.052	5.896	-	-	1.252	1.586
Interest and Commission Income	11.808	152	-	3	23	19

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	157.557	19.742	1.716	34.288	-	702
Balance at the End of the Period	155.953	11.315	-	21.651	-	964
Interest and Commission Income	6.377	158	-	21	5	13

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

(**) Includes the loans given to the Bank's indirect subsidiaries.

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	265.905	380.996	-	17.036	258.905	57.639
Balance at the End of the Period	89.151	265.905	-	-	179.718	258.905
Interest on deposits(***)	10.639	23.750	-	-	15.743	2.997

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

(**) Includes the deposits taken to the Bank's indirect subsidiaries.

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016

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

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

Bank's Risk Group ^(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group ^(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	140.998	168.641	134.496	74.646	102.824
End of the Period	104.180	-	-	168.641	-	74.646
Total Income/Loss ^(***)	2.120	(1.063)	-	(4.077)	-	1.693
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss ^(***)	-	-	-	-	-	-

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

(**) Includes the derivative transactions between the Bank's indirect subsidiaries.

1.4. As of December 31, 2016, the total amount of remuneration and bonuses paid to top management of the Bank is TL 63.247 (December 31, 2015 – TL 52.553).

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, 2016, cash loans of the risk group represented 0,4% of the Bank's total cash loans (December 31, 2015 – 0,3%), the deposits represented 0,5% of the Bank's total deposits (December 31, 2015-1,1%) and derivative transactions represented 0% of the Bank's total derivative transactions (December 31, 2015 – 0,2%).

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 Finans Finansal Kiralama A.Ş. As of December 31, 2016, the Bank has net finance lease payables to Finans Finansal Kiralama A.Ş. amounting to TL 940 (December 31, 2015 - TL 1.904) 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 Finans Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49% shares held by the Bank.

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

FINANS BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD END DECEMBER 31, 2016

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

SECTION FIVE

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	629	12.451			
				Country	
Foreign Representation	-	-			
				Total Assets	Capital
Foreign Branch	1	8	1- Bahreyn	12.051.261	-
Off-shore Banking and Region Branches	-	-		-	-

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

**FİNANS BANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD END DECEMBER 31, 2016**

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

**SECTION SIX
OTHER EXPLANATIONS AND DISCLOSURES**

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 Bank made a bond issuances at a nominal amount of TL 63.630 having 10,65% interest rate with 91 days and at a nominal amount of TL 39.370 having 11,10% interest rate with 171 days maturity on January 13, 2017 and at a nominal amount of TL 53.658 having 11,00% interest rate with 92 days maturity on January 17, 2017 and at a nominal amount TL 411.950 having 11,50% interest with 91 days maturity on January 20, 2017 and at a nominal amount TL 108.800 having 11,50% interest with 101 days maturity and at a nominal amount TL 66.758 having 11,10% interest with 92 days maturity on January 24, 2017 and at a nominal amount TL 160.170 having 11,55% interest with 103 days maturity on February 2, 2017.

The Bank made a Eurobond issuance at a nominal amount of USD 3.000.000 having 2,30% interest rate with 90 days maturity on January 11, 2017 and at a nominal amount of USD 24.000.000 having 2,45% interest rate with 90 days maturity on January 19, 2017.

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.

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

FİNANS BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD END DECEMBER 31, 2016

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

SECTION SEVEN

INDEPENDENT AUDIT REPORT

I. Explanations on the Independent Audit Report

The unconsolidated financial statements for the period ended December 31, 2016 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 February 3, 2017 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2015 – None).