

# **FİNANS BANK ANONİM ŞİRKETİ**

## **INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE PERIOD ENDED DECEMBER 31, 2016**

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

**(Convenience translation 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 Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Finans Bank A.Ş. (“the Bank”) as at December 31, 2016, and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of cash flows and consolidated 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 consolidated financial statements***

Bank management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with communiqué “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 consolidated financial statements. The procedures selected depend on the independent auditor’s professional judgment, including the assessment of risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, the accompanying consolidated 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 consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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 CONSOLIDATED FINANCIAL REPORT OF FINANS BANK A.Ş.  
FOR THE YEAR ENDED DECEMBER 31, 2016**

The Parent Bank's;

Address of the Head Office : Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL  
Phone number : (0212) 318 50 00  
Facsimile number : (0212) 318 58 50  
Web page : [www.qnbfinansbank.com](http://www.qnbfinansbank.com)  
E-mail address : [investor.relations@qnbfinansbank.com](mailto:investor.relations@qnbfinansbank.com)

The consolidated financial report for the year ended December 31, 2016, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDIT REPORT

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

**Subsidiaries**

1. Finans Finansal Kiralama Anonim Şirketi
2. Finans Yatırım Menkul Değerler Anonim Şirketi
3. Finans Portföy Yönetimi Anonim Şirketi
4. Finans Faktoring Anonim Şirketi
5. Hemenal Finansman Anonim Şirketi

**Entities Under Common Control (Joint Ventures)**

1. Cigna Finans Emeklilik ve Hayat Anonim Şirketi

**Structured Entities**

1. Bosphorus Financial Services Limited
2. Istanbul Bond Company S.A.

The consolidated financial statements and related disclosures and footnotes for the year 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 consolidated financial statements are presented in **thousands of Turkish Lira (TL)**.

**Ömer A. Aras**  
Chairman of  
the Board of Directors

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

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

**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 Güzeloglu**  
General Manager  
and Member of the  
Board of Directors

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

**Ercan Sakarya**  
Director of Financial, Statutory  
Reporting and  
Treasury Control

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

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

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

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

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

**SECTION ONE**

**GENERAL INFORMATION ABOUT THE GROUP**

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

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

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

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the 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.

The Parent Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies and the new logo of the Parent Bank has started to be used as "QNB FİNANSBANK" as of 20 October 2016. The Parent Bank's trade name is not subject to any change and the Bank's title will continue to be "FİNANS BANK A.Ş."

99,88% of shares of Parent Bank 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.

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**FİNANS BANK ANONİM ŞİRKETİ**

**NOTES TO THE CONSOLIDATED 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 Director and Executive Vice Presidents; Any Changes, and the Information About the Parent Bank Shares They Hold and Their Responsibilities**

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Head of Audit Committee	April 16, 2013	Masters
Ramzi Talat A.Mari <sup>(*)</sup>	Board Member and Member of the Audit Committee	June 16, 2016	Masters
Fatma Abdulla S.S. Al- Suwaidi	Board Member and Member of the Audit Committee	June 23, 2016	Masters
Durmuş Ali Kuzu <sup>(**)</sup>	Board Member and Member of the Audit Committee	August 25, 2016	Phd
Temel Güzeloglu	Board Member and General Manager	April 16, 2010	Masters
Abdulla Mubarak N.Alkhalifa	Board Member	June 23, 2016	Graduate
Associate Prof. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ali Rashid A.S.Al-Mohannadi <sup>(***)</sup>	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 Kurtoglu	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 <sup>(****)</sup>	Executive Vice President	February 12, 2016	Graduate
Engin Turhan <sup>(*****)</sup>	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

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> As of August 25, 2016, Durmuş Ali Kuzu has been appointed as a member of a Board of Directors, and as of September 28, 2016, he is appointed as a member of audit committee.

<sup>(\*\*\*)</sup> 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.

<sup>(\*\*\*\*)</sup> As of February 12, 2016, Emel Yılmaz Özbay has been appointed as Executive Vice President responsible of Legal Department.

<sup>(\*\*\*\*\*)</sup> As of June 14, 2016 Engin Turhan has been assigned as Deputy General Manager responsible for Commercial Banking and Project Finance.

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

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

Name Surname/Trade Name	Amount of Shares	Percentage of Shares	Paid-up Shares	Unpaid Shares
Qatar National Bank ("QNB")	3.146.138	%99,88	3.146.138	-
Other	3.862	%0,12	3.862	-

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

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2016, the Parent Bank operates through 628 domestic (December 31, 2015 - 640), 1 foreign (December 31, 2015 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2015 - 1) branches. As of December 31 2016, the Group has 12.451 employees (December 31, 2015 - 13.432 employees)

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

**FİNANS BANK ANONİM ŞİRKETİ**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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

**VI. Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and Entities Subject to Full or Proportional Consolidation or Deducted from Equity or not Subject to any of These Three Methods**

Parent Bank's joint venture Cigna 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 joint ventures are not consolidated to accompanying financial statements as per the Regulation on Preparation of Consolidated Financial Statements of Banks since they are nonfinancial investments. Bankalararası Kart Merkezi included in subsidiaries is carried at cost and not consolidated since the Parent Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

Bosphorus Financial Services Limited and İstanbul Bond Company S.A., which are not subsidiaries of the Bank, but over which the Bank has 100% controlling power due to the reason that these companies are "Structured Entities", have been included in the scope of consolidation.

**VII. Current or Likely Actual or Legal Barriers to Immediate Transfer of Shareholders' Equity or Repayment of Debts between the Parent Bank and Its Subsidiaries**

None.



## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

**I. CONSOLIDATED 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)	1.929.861	11.174.023	13.103.884	2.088.093	7.908.952	9.997.045
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	2.637.196	210.497	2.847.693	2.115.453	253.235	2.368.688
2.1	Financial assets held for trading		2.614.225	210.497	2.824.722	2.068.099	253.235	2.321.334
2.1.1	Public sector debt securities		22.528	11.486	34.014	67.569	4.853	72.422
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Assets on trading derivatives		2.574.900	199.011	2.773.911	1.988.998	248.382	2.237.380
2.1.4	Other securities		16.797	-	16.797	11.532	-	11.532
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)	48.150	263.916	312.066	10.345	307.794	318.139
IV.	MONEY MARKET PLACEMENTS		1.667.618	-	1.667.618	87.711	-	87.711
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		367.013	-	367.013	87.711	-	87.711
4.3	Receivables from reverse repurchase agreements	(4)	1.300.605	-	1.300.605	-	-	-
V.	INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(5)	4.152.070	2.880.043	7.032.113	3.383.136	1.912.514	5.295.650
5.1	Equity securities		4.092	44.961	49.053	4.098	-	4.098
5.2	Public sector debt securities		4.147.680	2.796.651	6.944.331	3.378.323	1.880.669	5.258.992
5.3	Other securities		298	38.431	38.729	715	31.845	32.560
VI.	LOANS AND RECEIVABLES	(6)	49.855.478	12.758.615	62.614.093	47.152.143	9.910.052	57.062.195
6.1	Loans and receivables		49.233.093	12.758.615	61.991.708	46.399.263	9.910.052	56.309.315
6.1.1	Loans to risk group of the Bank		7	1.245	1.252	-	-	-
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		49.233.086	12.757.370	61.990.456	46.399.263	9.910.052	56.309.315
6.2	Non-performing loans		3.874.148	-	3.874.148	3.814.659	-	3.814.659
6.3	Specific provisions (-)		3.251.763	-	3.251.763	3.061.779	-	3.061.779
VII.	FACTORING RECEIVABLES	(7)	698.479	52.491	750.970	544.992	26.734	571.726
VIII.	INVESTMENT SECURITIES HELD TO MATURITY (Net)	(8)	3.383.952	2.516.555	5.900.507	3.009.964	863.950	3.873.914
8.1	Public sector debt securities		3.383.952	1.915.594	5.299.546	3.009.964	110.652	3.120.616
8.2	Other securities		-	600.961	600.961	-	753.298	753.298
IX.	INVESTMENT IN ASSOCIATES (Net)	(9)	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)	(10)	18.054	-	18.054	18.054	-	18.054
10.1	Unconsolidated financial investments		-	-	-	-	-	-
10.2	Unconsolidated non-financial investments		18.054	-	18.054	18.054	-	18.054
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	(11)	94.271	-	94.271	106.027	-	106.027
11.1	Equity method entities under common control		91.471	-	91.471	103.227	-	103.227
11.2	Unconsolidated		2.800	-	2.800	2.800	-	2.800
11.2.1	Financial investments		-	-	-	-	-	-
11.2.2	Non-financial Investments		2.800	-	2.800	2.800	-	2.800
XII.	LEASE RECEIVABLES (Net)	(12)	1.107.500	1.578.777	2.686.277	823.804	1.113.148	1.936.952
12.1	Financial lease receivables		1.408.190	1.742.271	3.150.461	1.016.018	1.234.822	2.250.840
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		300.690	163.494	464.184	192.214	121.674	313.888
XIII.	DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES	(13)	3.409.777	33.561	3.443.338	3.219.905	19.104	3.239.009
13.1	Fair value hedge		2.346.595	18.509	2.365.104	2.292.114	18.069	2.310.183
13.2	Cash flow hedge		1.063.182	15.052	1.078.234	927.791	1.035	928.826
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(14)	1.838.260	48	1.838.308	1.581.501	8	1.581.509
XV.	INTANGIBLE ASSETS (Net)	(15)	288.218	-	288.218	270.040	-	270.040
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		288.218	-	288.218	270.040	-	270.040
XVI.	INVESTMENT PROPERTIES (Net)	(16)	-	-	-	-	-	-
XVII.	TAX ASSETS	(17)	71.704	-	71.704	107.789	-	107.789
17.1	Current tax assets		4.737	-	4.737	6.846	-	6.846
17.2	Deferred tax assets		66.967	-	66.967	100.943	-	100.943
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(18)	-	-	-	-	-	-
18.1	Held for sale		-	-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(19)	1.248.446	404.508	1.652.954	1.081.061	129.791	1.210.852
TOTAL ASSETS			72.452.800	31.873.034	104.325.834	65.603.784	22.445.282	88.049.066

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

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

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

**I. CONSOLIDATED 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)	31.497.058	22.368.191	53.865.249	28.787.585	19.523.692	48.311.277
1.1	Deposits from risk group of the Bank		158.972	36.446	195.418	217.793	52.457	270.250
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)	2.387.019	214.697	2.601.716	1.882.909	273.555	2.156.464
III.	FUNDS BORROWED	(3)	545.452	10.618.093	11.163.545	501.930	5.564.127	6.066.057
IV.	MONEY MARKET BORROWINGS		3.100.124	3.519.709	6.619.833	2.951.341	1.857.920	4.809.261
4.1	Interbank money markets takings		1.500.708	-	1.500.708	-	-	-
4.2	Istanbul Stock Exchange money markets takings		97.382	-	97.382	147.173	-	147.173
4.3	Funds provided under repurchase agreements	(4)	1.502.034	3.519.709	5.021.743	2.804.168	1.857.920	4.662.088
V.	SECURITIES ISSUED (Net)	(5)	1.861.266	4.470.311	6.331.577	841.151	4.985.836	5.826.987
5.1	Bills		1.749.202	53.683	1.802.885	770.076	-	770.076
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		112.064	4.416.628	4.528.692	71.075	4.985.836	5.056.911
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		2.243.338	4.477.548	6.720.886	2.061.023	3.462.407	5.523.430
VIII.	OTHER LIABILITIES	(6)	875.297	188.581	1.063.878	1.003.771	165.549	1.169.320
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	(7)	-	-	-	-	-	-
10.1	Financial lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial lease expenses ( - )		-	-	-	-	-	-
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)	1.794.752	-	1.794.752	1.777.641	-	1.777.641
12.1	General provisions		1.288.412	-	1.288.412	1.190.403	-	1.190.403
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		295.428	-	295.428	250.505	-	250.505
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		210.912	-	210.912	336.733	-	336.733
XIII.	TAX LIABILITY	(10)	198.098	-	198.098	57.581	-	57.581
13.1	Current tax liability		198.098	-	198.098	57.581	-	57.581
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		10.677.148	(373.369)	10.303.779	9.583.782	(178.297)	9.405.485
16.1	Paid-in capital	(13)	3.150.000	-	3.150.000	3.000.000	-	3.000.000
16.2	Capital reserves		(44.173)	(373.369)	(417.542)	(29.747)	(178.297)	(208.044)
16.2.1	Share premium	(14)	714	-	714	714	-	714
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Securities value increase fund	(15)	(40.675)	(379.478)	(420.153)	(65.962)	(178.297)	(244.259)
16.2.4	Revaluation fund on tangible assets		-	-	-	-	-	-
16.2.5	Revaluation fund on intangible assets		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		-	-	-	-	-	-
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		(43.654)	-	(43.654)	(45.674)	-	(45.674)
16.3	Profit reserves		6.329.182	-	6.329.182	5.621.561	-	5.621.561
16.3.1	Legal reserves		487.422	-	487.422	451.979	-	451.979
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		5.841.760	-	5.841.760	5.169.582	-	5.169.582
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	Profit or loss		1.236.405	-	1.236.405	802.739	-	802.739
16.4.1	Prior years' income/ (losses)		-	-	-	138.389	-	138.389
16.4.2	Current period income/ (loss)		1.236.405	-	1.236.405	664.350	-	664.350
16.5	Minority shares		5.734	-	5.734	189.229	-	189.229
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			55.375.791	48.950.043	104.325.834	49.508.943	38.540.123	88.049.066

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

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

**CONSOLIDATED 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. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES**

		Audited 31.12.2016			Audited 31.12.2015			
		Section 5 Part III	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I-II+III)		107.898.237	100.663.461	208.561.698	101.092.734	99.496.711	200.589.445
I.	GUARANTEES (1),(2),(3),(4)		7.171.006	6.013.004	13.184.010	6.009.442	4.466.384	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)		39.756.441	2.310.737	42.067.178	35.030.262	727.276	35.757.538
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		385.242	356.319	741.561	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		144.442	356.319	500.761	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS (5), (6)		60.970.790	92.339.720	153.310.510	60.053.030	94.303.051	154.356.081
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		44.240.092	71.271.194	115.511.286	45.161.157	72.560.314	117.721.471
3.2.1	Forward foreign currency buy/sell transactions		4.118.082	6.261.366	10.379.448	3.972.761	4.554.462	8.527.223
3.2.1.1	Forward foreign currency transactions-buy		2.683.949	2.467.023	5.150.972	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		35.619.409	58.965.219	94.584.628	36.000.372	58.282.028	94.282.400
3.2.2.1	Foreign currency swap-buy		15.510.246	23.802.355	39.312.601	15.893.629	25.523.970	41.417.599
3.2.2.2	Foreign currency swap-sell		18.569.163	20.441.802	39.010.965	19.805.147	21.605.030	41.410.177
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)		552.759.553	90.204.038	642.963.591	470.326.939	83.259.316	553.586.255
IV.	ITEMS HELD IN CUSTODY		43.231.414	3.728.678	46.960.092	21.826.403	2.674.784	24.501.187
4.1.	Assets under management		4.935.464	2.218	4.937.682	5.435.302	195	5.435.497
4.2.	Investment securities held in custody		18.642.053	1.348.273	19.990.326	196.455	815.520	1.011.975
4.3.	Checks received for collection		3.452.693	463.821	3.916.514	2.640.870	375.448	3.016.318
4.4.	Commercial notes received for collection		938.785	213.474	1.152.259	781.303	158.196	939.499
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		15.262.419	1.700.892	16.963.311	12.772.473	1.325.425	14.097.898
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		319.890.014	47.175.906	367.065.920	274.029.387	44.825.851	318.855.238
5.1.	Marketable securities		819.315	3.186.362	4.005.677	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)			660.657.790	190.867.499	851.525.289	571.419.673	182.756.027	754.175.700

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

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

**FİNANSBANK ANONİM ŞİRKETİ  
CONSOLIDATED 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. CONSOLIDATED INCOME STATEMENT**

	Section 5 Part IV.	Audited 01.01 - 31.12.2016	Audited 01.01 - 31.12.2015
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>9.034.828</b>	<b>7.835.586</b>
1.1 Interest on loans		7.722.630	6.683.487
1.2 Interest received from reserve deposits		52.930	22.770
1.3 Interest received from banks		11.429	3.734
1.4 Interest received from money market placements		75.509	129.650
1.5 Interest received from marketable securities portfolio		843.682	750.612
1.5.1 Held-for-trading financial assets		4.442	3.878
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		217.169	168.211
1.7 Other interest income		111.479	77.122
<b>II. INTEREST EXPENSE</b>	<b>(2)</b>	<b>4.356.208</b>	<b>3.752.831</b>
2.1 Interest on deposits		3.284.048	2.819.109
2.2 Interest on funds borrowed		423.734	338.974
2.3 Interest on money market borrowings		293.348	212.407
2.4 Interest on securities issued		341.639	373.804
2.5 Other interest expense		13.439	8.537
<b>III. NET INTEREST INCOME (I - II)</b>		<b>4.678.620</b>	<b>4.082.755</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.444.877</b>	<b>1.387.238</b>
4.1 Fees and commissions received		1.767.919	1.653.836
4.1.1 Non-cash loans		69.602	58.996
4.1.2 Other		1.698.317	1.594.840
4.2 Fees and commissions paid		323.042	266.598
4.2.1 Non-cash loans		1.702	1.488
4.2.2 Other		321.340	265.110
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>170</b>	<b>58</b>
<b>VI. NET TRADING INCOME</b>	<b>(4)</b>	<b>(661.533)</b>	<b>(727.321)</b>
6.1 Securities trading gains/ (losses)		17.121	27.125
6.2 Gains / (losses) Financial derivative transactions		(713.295)	(677.491)
6.3 Foreign exchange gains/ (losses)		34.641	(76.955)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>411.137</b>	<b>272.748</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>5.873.271</b>	<b>5.015.478</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>1.390.423</b>	<b>1.207.444</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>2.938.079</b>	<b>2.874.440</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>1.544.769</b>	<b>933.594</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. GAIN / (LOSS) ON EQUITY METHOD</b>		<b>(11.755)</b>	<b>(49.538)</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(8)</b>	<b>1.533.014</b>	<b>884.056</b>
<b>XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(294.714)</b>	<b>(203.642)</b>
16.1 Current income tax charge		(208.293)	(225.182)
16.2 Deferred tax charge / benefit		(86.421)	21.540
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>1.238.300</b>	<b>680.414</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
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		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
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		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>	<b>(8)</b>	-	-
<b>XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>(9)</b>	-	-
21.1 Current income tax charge		-	-
21.2 Deferred tax charge / benefit		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	<b>(10)</b>	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>(11)</b>	<b>1.238.300</b>	<b>680.414</b>
23.1 Group's profit/loss		1.236.405	664.350
23.2 Minority shares		1.895	16.064
Earnings per share		0,03925	0,02109

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

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

**FİNANS BANK ANONİM ŞİRKETİ**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER SHAREHOLDERS'  
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. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER  
EQUITY**

	<b>Audited 01.01 – 31.12.2016</b>	<b>Audited 01.01 – 31.12.2015</b>
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(219.938)</b>	<b>(242.460)</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>-</b>	<b>-</b>
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	<b>(44.530)</b>	<b>152.068</b>
<b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	<b>-</b>	<b>-</b>
<b>VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS</b>	<b>2.525</b>	<b>4.653</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>52.445</b>	<b>18.712</b>
<b>X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)</b>	<b>(209.498)</b>	<b>(67.027)</b>
<b>XI. PROFIT/LOSS</b>	<b>1.238.300</b>	<b>680.414</b>
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	1.204.224	686.165
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)</b>	<b>1.028.802</b>	<b>613.387</b>

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

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

**FİNANSBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIOD ENDED DECEMBER 31, 2015**

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

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate 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 Attributable to the Parent Shareholders	Minority Shares	Total Shareholders' Equity
<b>I. Prior period – 01.01.-31.12.2015</b>																			
<b>II. Beginning Balance</b>		2.835.000	-	714	-	402.779	-	4.450.257	(49.396)	-	1.072.420	(51.856)	-	-	(40.479)	-	8.619.439	178.175	8.797.614
<b>III. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		2.835.000	-	714	-	402.779	-	4.450.257	(49.396)	-	1.072.420	(51.856)	-	-	(40.479)	-	8.619.439	178.175	8.797.614
<b>IV. Changes in Period</b>																			
<b>IV. Increase/decrease related to merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Marketable securities valuation differences</b>	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Hedging funds (effective portion)</b>		-	-	-	-	-	-	-	-	-	-	(192.403)	-	-	-	-	(192.403)	-	(192.403)
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	121.654	-	121.654	-	121.654
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	121.654	-	121.654	-	121.654
<b>VII. Tangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Intangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Bonus shares obtained from associates, subsidiaries and entities under common control</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Foreign exchange differences</b>	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Effect of change in associates' equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Capital increase</b>	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		165.000	-	-	-	-	-	(165.000)	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Share premium</b>		165.000	-	-	-	-	-	(165.000)	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Inflation adjustment to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII. Other <sup>(*)</sup></b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIX. Period net income/(loss)</b>		-	-	-	-	(889)	-	-	3.722	-	889	-	-	-	-	-	3.722	(5.010 <sup>(*)</sup> )	(1.288)
<b>XX. Profit distribution</b>	(3)	-	-	-	-	-	-	-	-	664.350	-	-	-	-	-	-	664.350	16.064	680.414
20.1 Dividends distributed		-	-	-	-	50.089	-	884.325	-	-	(934.920)	-	-	-	-	-	(506)	-	(506)
20.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	(506)	-	-	-	-	-	(506)	-	(506)
20.3 Other		-	-	-	-	50.089	-	884.325	-	-	(934.414)	-	-	-	-	-	-	-	-
<b>Closing balance (III+IV+V+.....XVIII+XIX+XX)</b>		3.000.000	-	714	-	451.979	-	5.169.582	(45.674)	664.350	138.389	(244.259)	-	-	81.175	-	9.216.256	189.229	9.405.485

<sup>(\*)</sup> Includes the effect of change in ownership of Finans Yatırım Ortaklığı A.Ş Under Liquidation in the prior year.

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

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

**FİNANSBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIOD ENDED DECEMBER 31, 2015**

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

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate 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 Attributable to the Parent Shareholders	Non- controlling interest	Total Shareholders' Equity
<b>I. Current period – 01.01.-31.12.2016</b>																			
<b>Beginning Balance</b>		3.000.000	-	714	-	451.979	-	5.169.582	(45.674)	-	802.739	(244.259)	-	-	81.175	-	9.216.256	189.229	9.405.485
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Increase/decrease related to merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Marketable securities valuation differences</b>	(1)	-	-	-	-	-	-	-	-	-	-	(175.894)	-	-	-	-	(175.894)	-	(175.894)
<b>IV. Hedging funds (effective portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)	-	(35.624)
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Tangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Intangible assets revaluation differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus shares obtained from associates, subsidiaries and entities under common control</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Foreign exchange differences</b>	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Disposal of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Reclassification of assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effect of change in associates' equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Capital increase</b>	(5)	150.000	-	-	-	-	-	(150.000)	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		150.000	-	-	-	-	-	(150.000)	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Share premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Inflation adjustment to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>		-	-	-	-	-	-	54.882	2.020	-	-	-	-	-	-	-	56.902	(185.390 <sup>(*)</sup> )	(128.488)
<b>XVII. Period net income/(loss)</b>		-	-	-	-	-	-	-	1.236.405	-	-	-	-	-	-	-	1.236.405	1.895	1.238.300
<b>XVIII. Profit distribution</b>	(3)	-	-	-	-	35.443	-	767.296	-	-	(802.739)	-	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	35.443	-	767.296	-	-	(802.739)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance (I+II+III+....+XVI+XVII+XVIII)</b>		3.150.000	-	714	-	487.422	-	5.841.760	(43.654)	1.236.405	-	(420.153)	-	-	45.551	-	10.298.045	5.734	10.303.779

<sup>(\*)</sup> Includes the effect of change in ownership of Finans Finansal Kiralama A.Ş. from 69,00% to 99,40 % in the prior year

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



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

**FİNANSBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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

**VI. CONSOLIDATED CASH FLOW STATEMENT**

	<b>Section 5 Part VI.</b>	<b>Audited 01.01 – 31.12.2016</b>	<b>Audited 01.01 – 31.12.2015</b>
<b>A. CASH FLOWS FROM / (TO) BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities (+)</b>		<b>(2.711.324)</b>	<b>1.066.407</b>
1.1.1 Interest received (+)		8.718.139	7.349.408
1.1.2 Interest paid (-)		(4.325.840)	(3.710.277)
1.1.3 Dividend received (+)		170	58
1.1.4 Fees and commissions received (+)		1.755.610	1.639.166
1.1.5 Other income (+)		377.089	31.396
1.1.6 Collections from previously written off loans (+)		925.679	690.597
1.1.7 Payments to personnel and service suppliers (-)		(2.155.486)	(1.984.975)
1.1.8 Taxes paid (-)		(146.235)	(532.145)
1.1.9 Other (+/-)	(1)	(7.860.450)	(2.416.821)
<b>1.2 Changes in operating assets and liabilities</b>		<b>8.686.556</b>	<b>646.569</b>
1.2.1 Net (increase) decrease in financial assets held for trading (+/-)		32.174	(35.165)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		90.535	1.624
1.2.3 Net (increase) decrease in due from banks (+/-)		(2.509.676)	(439.265)
1.2.4 Net (increase) decrease in loans (+/-)		(4.161.234)	(7.498.554)
1.2.5 Net (increase) decrease in other assets (+/-)	(1)	(1.297.610)	(606.699)
1.2.6 Net increase (decrease) in bank deposits (+/-)		465.418	201.296
1.2.7 Net increase (decrease) in other deposits (+/-)		6.872.366	7.246.301
1.2.8 Net increase (decrease) in funds borrowed (+/-)		6.416.136	(705.892)
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)	(1)	2.778.447	2.482.923
<b>I. Net cash provided from / (used in) banking operations (+/-)</b>		<b>5.975.232</b>	<b>1.712.976</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from / (used in) investing activities (+/-)</b>		<b>(2.987.599)</b>	<b>303.867</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (-)		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	-
2.3 Fixed assets purchases (-)		(179.507)	(239.971)
2.4 Fixed assets sales (+)		21.386	303.582
2.5 Cash paid for purchase of financial assets available for sale (-)		(2.337.471)	(2.163.221)
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 Other (+/-)	(1)	(126.705)	(128.453)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from / (used in) financing activities (+/-)</b>		<b>(873.748)</b>	<b>(1.279.312)</b>
3.1 Cash obtained from funds borrowed and securities issued (+)		2.407.322	3.888.096
3.2 Cash used for repayment of funds borrowed and securities issued (-)		(3.032.992)	(5.166.902)
3.3 Capital increase (+)		-	-
3.4 Dividends paid (-)		-	(506)
3.5 Payments for finance leases (-)		-	-
3.6 Other (+/-)		(248.078)	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)</b>		<b>64.523</b>	<b>24.827</b>
<b>V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>2.178.408</b>	<b>762.358</b>
<b>VI. Cash and cash equivalents at the beginning of the period (+)</b>	(2)	<b>3.731.536</b>	<b>2.969.178</b>
<b>VII. Cash and cash equivalents at end of the period (V+VI)</b>	(3)	<b>5.909.944</b>	<b>3.731.536</b>

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

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

**FİNANSBANK ANONİM ŞİRKETİ**  
**CONSOLIDATED DISTRIBUTION STATEMENT**  
**FOR THE PERIOD ENDED DECEMBER 31, 2016**

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

**VII. DISTRIBUTION OF INCOME (\*)**

	<b>Audited Current Year 31.12.2016<sup>(**)</sup></b>	<b>Audited Prior Period 31.12.2015</b>
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
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)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>1.203.410</b>	<b>705.772</b>
1.3 PRIOR YEAR LOSSES(-)	-	-
1.4 FIRST LEGAL RESERVES(-)	-	35.289
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b>	<b>1.203.410</b>	<b>670.483</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS(-)	-	150.000
1.6.1 TO OWNERS OF ORDINARY SHARES	-	150.000 <sup>(***)</sup>
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	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
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(-)	-	-
<b>III. EARNINGS PER SHARE</b>		
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 ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>	-	-
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES( % )	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES ( % )	-	-

(\*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

(\*\*) Decision regarding the profit distribution for the 2016 will be taken at the General Meeting.

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

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

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**SECTION THREE**  
**ACCOUNTING POLICIES**

**I. Basis of Presentation**

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

The Turkish Banking Law No: 5411 is published in the Official Gazette No: 25983 dated November 1, 2005. The Parent Bank and its financial subsidiaries ("The Group") prepared the accompanying 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 ("KKGK"), 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 consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated June 28, 2012, and amendments to this Communiqué.

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

**Explanation for Convenience Translation to English**

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

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and 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 Group accounting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXVI below.

The consolidated 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, 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.

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The preparation of consolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Group 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 Group. TFRS 9 Financial Instruments Standard will mainly effect Group 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 Group 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 Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear fixed interest rate and have an average maturity of 1-3 months in accordance with their 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 repriced at an average period of 3-6 months. The Parent Bank diverts its placements to assets with high return, sufficient collaterals. The Parent Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and higher return on long-term placements is aimed.

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

The Parent Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of "Value at Risk (VAR)" by taking the risk tolerance as a cap. The maximum VAR amounts are determined 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 Group foreign currency available-for-sale debt securities are explained in foreign currency risk section and the applications regarding the 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.

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**2. Foreign currency transactions**

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

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed as of December 31, 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 Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank’s foreign currency exchange rates for the related period ends are as follows:

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

**2.2. Total exchange rate differences that are included in net profit or loss for the year**

The net exchange gain for the period that ended at December 31, 2016 is TL 34.641 TL (December 31, 2015- 76.955 TL net exchange loss).

**2.3. Foreign Associates**

None.

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

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

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

		<b>Consolidation Method</b>	<b>Place of Establishment</b>	<b>Subject of Operations</b>	<b>Effective Share of the Group (%)</b>	
					<b>December 31, 2016</b>	<b>December 31, 2015</b>
1.	Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100,00	99,74
2.	Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100,00	99,72
3.	Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100,00	100,00
4.	Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99,40	69,00
5.	Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100,00	100,00
6.	Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Equity Method	Turkey	Private Pension and Insurance	49,00	49,00

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

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of December 31, 2016.

**1. Subsidiaries**

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Bank's returns.

Subsidiaries are consolidated using the full consolidation method based on the size of their asset equity, and result of operations. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank and are put out of consolidation's scope as soon as control is removed. Accounting policies applied by subsidiaries that are included in consolidated financial statements are not different from Parent Bank's accounting policies.

According to full consolidation method, 100% of subsidiaries' asset, liability, income, expense and off balance sheet items are consolidated with the Parent Bank's asset, liability, income, expense and off balance sheet items. Book value of the Group's investment in each subsidiary is netted off with Group's equity shares. Unrealized gains and losses and balances that arise due to transactions between subsidiaries within consolidation scope, have been net off. Non-controlling interests are shown separately from earnings per share on consolidated balance sheet and income statement.

**2. Associates and entities under common control**

The Parent Bank does not have any financial associates that are consolidated in the accompanying financial statements.

The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank's capital. Subject joint venture is included in consolidated financial statements by using equity method.

Equity method is a method of accounting whereby the book value of the investor's share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor's share from the change in the subsidiary's or joint venture's equity within the period. The method also foresees that profit will be deducted from the subsidiaries or joint venture's accordingly recalculated value.

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**IV. Explanations on Forwards, Option Contracts and Derivative Instruments**

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

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

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 prices 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 swaps 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.

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In fair value hedge accounting:

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

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

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in available for sale financial assets portfolio using swap transactions as hedging instruments.

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

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

At each balance sheet date the Parent 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 accruals of non-performing loans are cancelled and not recorded as interest income until collected.

**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 Group 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.



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**1.2. Financial assets at fair value through profit or loss**

The Parent 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.

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 bond portfolio 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 hedge 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. After fair value accounting is ceased, fair 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.

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**3. Investments 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.

**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.

As mentioned in note “Note IV- Section III on Forward, Option Contracts and Derivative Instruments”, the Group enters into FX swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Parent Bank accounted for the hedged part of the loan portfolio at fair value, together with the swap transactions used as the hedging instrument and the related net gain or loss was included in 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. 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 might be doubtful and amount is charged in the current period income statement.

In the case where there is an evidence for the possibility of uncollectability of loans, the Parent 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 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”. 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 Parent Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” and accounts such provision at the liability side of the balance sheet under general loan loss provision.

The Parent Bank also provides specific provisions for the closely monitored loans as a result of risk assessment. These provisions accounted for in liabilities under other provisions.

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

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 and standard and closely monitored loans are recorded under “Other Operating Income” and interest collections are recorded under the “Interest on Loans” account.

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**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 III

**IX. Explanations on Netting of Financial Instruments and Derecognition of Financial Assets**

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, 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 sheet in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Group 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 5.837.963 (December 31, 2015 - TL 5.113.536).

As of December 31, 2016 the Group 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.

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**XI. Explanations on Assets Held for Sale and Discontinued Operations**

In accordance with IFRS 5 (“Assets Held for Sale and Discontinued Operations”), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the 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 Parent 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 Parent Bank has no discounting operations.

The Parent 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 November 1, 2006, no.26333 as other assets and accounts for these tangible assets according to the aforementioned Communiqué.

**XII. Explanations on Goodwill and Other Intangible Assets**

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

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

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

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**XIII. Explanations on Tangible Assets**

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

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

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

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

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

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

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

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

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

**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 gross lease receivables including interest and principal amounts regarding the Group financial leasing activities as “Lessor” are stated under the “Finance Lease Receivables”. The difference between the total of rental payments and the cost of the related fixed assets is reflected to the “unearned income” account. The interest income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 “Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies”. Those provisions are accounted under “Lease Receivables” at the accompanying financial statements.

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**XV. Explanations on Factoring Receivables**

Factoring receivables are carried at amortized cost by using the effective interest rate method after unearned interest income is deducted and specific provisions for impairments are provided, if any. These provisions are accounted for under “Factoring Receivables” at the accompanying financial statements. The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 “Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies”. Those provisions are accounted for under “Factoring Receivables” at the accompanying financial statements.

**XVI. Explanations on Provisions and Contingent Liabilities**

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are 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.

**XVII. Explanations on Obligations of the Group for Employees Benefits**

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

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

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

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

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

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

**XVIII. Explanations on Taxation**

**1. Corporate Tax**

Turkish Tax Legislation does not allow the Group to prepare tax declaration from the financial statements which subsidiaries and investment associates are consolidated into. Therefore, tax provision in accompanying consolidated financial statements is determined by calculating tax provision for each corporation in consolidation scope separately.

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 deducted from the corporate taxes of the current year and shown in current tax asset and current tax liabilities.

75% of gains on disposal of subsidiary shares and real estate’s held in Group assets for more than two years are excepted from tax, according to Corporate Tax Law under the condition with adding these gains into equity or allocating into a specific fund account as liability 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.

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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, 15<sup>th</sup> and 30<sup>th</sup> 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 would be available against which the deferred tax assets can be utilized. Deferred tax asset is not provided over general reserve for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated December 8, 2004.

Deferred tax effects of transactions directly accounted in equity are reflected in equity.

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

**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.

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**XIX. Additional Explanations on Borrowings**

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

**XX. Explanation 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 l. (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.)

**XXI. Explanations on Confirmed Bills of Exchange and Acceptances**

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

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

**XXII. Explanations on Government Incentives**

As of December 31, 2016, the Group does not have any governmental incentives or support. (As of December 31, 2015 – None.)

**XXIII. Explanation on Segment Reporting**

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time, demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. Other than those mentioned above, the Group also serves in trading financial instruments, treasury operations, and performs insurance, factoring, and domestic and abroad finance lease operations.

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

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of 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 instalments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.



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	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
<b>Current Period (January 1 –December 31, 2016)</b>				
Net Interest Income	1.636.457	1.697.404	1.344.759	4.678.620
Net Fees and Commissions Income	950.210	448.156	46.511	1.444.877
Other Operating Income and Net Trading Income	177.031	60.179	(487.606)	(250.396)
Dividend Income	-	-	170	170
<b>Operating Income</b>	<b>2.763.698</b>	<b>2.205.739</b>	<b>903.834</b>	<b>5.873.271</b>
Other Operating Expenses	1.585.963	1.033.439	318.677	2.938.079
Provision for Loan Losses and Other Receivables	656.335	893.291	(159.203)	1.390.423
Gain / Loss on joint venture accounted for at equity method	-	-	(11.755)	(11.755)
<b>Profit Before Taxes</b>	<b>521.400</b>	<b>279.009</b>	<b>732.605</b>	<b>1.533.014</b>
<b>Provision for Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(294.714)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.238.300</b>
<b>Total Assets</b>	<b>23.735.540</b>	<b>42.338.771</b>	<b>33.220.193</b>	<b>104.325.834</b>
Segment Assets	23.735.540	42.338.771	33.220.193	99.294.504
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	116.091
Undistributed Assets	-	-	-	4.915.239
<b>Total Liabilities</b>	<b>35.177.287</b>	<b>16.714.270</b>	<b>32.352.884</b>	<b>104.325.834</b>
Segment Liabilities	35.177.287	16.714.270	32.352.884	84.244.441
Undistributed Liabilities	-	-	-	9.777.614
Equity	-	-	-	10.303.779
<b>Other Segment Accounts</b>	<b>345.581</b>	<b>210.252</b>	<b>63.407</b>	<b>619.240</b>
Capital Expenditures	201.012	122.296	40.572	363.880
Depreciation and Amortization	144.569	87.956	22.835	255.360
Value Decrease/ (Increase)	-	-	-	-
<hr/>				
	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
<b>Prior Period (January 1 - December 31, 2015)</b>				
Net Interest Income	1.560.783	1.396.781	1.125.191	4.082.755
Net Fees and Commissions Income	967.940	382.372	36.926	1.387.238
Other Operating Income and Net Trading Income	37.479	48.338	(540.390)	(454.573)
Dividend Income	-	-	58	58
<b>Operating Income</b>	<b>2.566.202</b>	<b>1.827.491</b>	<b>621.785</b>	<b>5.015.478</b>
Other Operating Expenses	1.662.259	891.746	320.435	2.874.440
Provision for Loan Losses and Other Receivables	726.711	451.454	29.279	1.207.444
<b>Profit Before Taxes</b>	<b>-</b>	<b>-</b>	<b>(49.538)</b>	<b>(49.538)</b>
<b>Gain / Loss on joint venture accounted for at equity method</b>	<b>177.232</b>	<b>484.291</b>	<b>222.533</b>	<b>884.056</b>
<b>Provision for Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(203.642)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>680.414</b>
<b>Total Assets</b>	<b>23.227.392</b>	<b>36.390.835</b>	<b>24.176.894</b>	<b>88.049.066</b>
Segment Assets	23.227.392	36.390.835	24.176.894	83.795.121
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	127.847
Undistributed Assets	-	-	-	4.126.098
<b>Total Liabilities</b>	<b>30.557.061</b>	<b>16.196.886</b>	<b>23.361.662</b>	<b>88.049.066</b>
Segment Liabilities	30.557.061	16.196.886	23.361.662	70.115.609
Undistributed Liabilities	-	-	-	8.527.972
Equity	-	-	-	9.405.485
<b>Other Segment Accounts</b>	<b>260.104</b>	<b>130.592</b>	<b>123.991</b>	<b>514.687</b>
Capital Expenditures	129.591	65.065	104.145	298.801
Depreciation and Amortization	130.513	65.527	19.846	215.886
Value Decrease/ (Increase)	-	-	-	-

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**XXIV. Profit Reserves and Profit Distribution**

The Ordinary General Assembly Meeting of the Parent Bank was held on March 24, 2016. It was decided net income from 2015 operations to be distributed as follows,

**Statement of Profit Distribution, 2015**

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

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

**XXV. Earnings Per Share**

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

	<b>Current Period</b>	<b>Prior Period</b>
Group's Net Profit for the Period	1.236.405	664.350
Weighted Average Amount of Shares Issued (Thousands)	31.500.000	31.500.000
<b>Earnings per Share</b>	<b>0,03925</b>	<b>0,02109</b>

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 new amount of shares.

As of December 31, 2016 amount of issued bonus shares are 1.500.000 (December 31, 2015: 1.650.000).

**XXVI. Explanations on Other Matters**

None.

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**SECTION FOUR**

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

**I. Explanations on Consolidated Equity:**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks.” As of December 31, 2016 Group’s total capital has been calculated as TL 11.441.004, capital adequacy ratio is 14,27%. As of December 31, 2015, Group’s total capital amounted to TL 11.759.029, Capital adequacy ratio was 15,53% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

**Components of consolidated shareholders’ equity items:**

	<b>Current Period December 31, 2016</b>	<b>Amounts subject to treatment before 1/1/2014<sup>(1)</sup></b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.150.000	
Share issue premiums	714	
Reserves	6.329.182	
Gains recognized in equity as per TAS	372	
Profit	1.236.405	
Current Period Profit	1.236.405	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period		
Minorities’ Share	5.734	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>10.722.407</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	464.179	
Improvement costs for operating leasing	77.709	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	155.065	258.441
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	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>696.953</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>10.025.454</b>	

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	<b>Current Period December 31, 2016</b>	<b>Amounts subject to treatment before 1/1/2014<sup>(1)</sup></b>
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
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	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
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 (-)	103.376	-
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 (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>9.922.078</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	693.264	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	889.344	
<b>Tier II Capital Before Deductions</b>	<b>1.582.608</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>1.582.608</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital) ( Before deduction )</b>	<b>11.504.686</b>	
<b>Deductions from Total Capital</b>		
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	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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	<b>Current Period December 31, 2016</b>	<b>Amounts subject to treatment before 1/1/2014<sup>(1)</sup></b>
<b>TOTAL CAPITAL</b>		
Total Capital	11.441.004	
Total risk weighted amounts	80.174.960	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	% 12,50	
Tier I Capital Adequacy Ratio	% 12,38	
Capital Adequacy Ratio	% 14,27	
<b>BUFFERS</b>		
Bank specific total common equity tier I capital ratio	% 5,38	
Capital conservation buffer requirement	% 0,63	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier I 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	% 6,50	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-	
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	91.471	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	66.967	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.288.412	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	889.344	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
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 represent 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.

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

	Prior Period December 31, 2015(*)
<b>COMMON EQUITY</b>	
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	3.000.000
Share issue premiums	714
Share cancellation profits	-
Reserves	5.621.561
Gains recognized in equity as per TAS	-
Profit	802.739
Current Period Profit	664.350
Prior Period Profit	138.389
Provisions for Possible Risks	100.000
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-
Minority shares	189.229
<b>Common Equity Before Deductions</b>	<b>9.714.243</b>
<b>Deductions from Common Equity</b>	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-).	289.933
Improvement costs for operating leasing (-)	88.388
Goodwill or other intangible assets and deferred tax liability related to these items (-)	96.676
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 (-).	-
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 (-)	-
<b>Total Deductions From Common Equity</b>	<b>474.997</b>
<b>Total Common Equity</b>	<b>9.239.246</b>

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	<b>December 31, 2015 (*)</b>
<b>ADDITIONAL TIER I CAPITAL</b>	
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)	-
<b>Additional Tier I Capital before Deductions</b>	-
<b>Deductions from Additional Tier I Capital</b>	-
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 (-)	-
<b>Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)</b>	-
<b>Total Deductions From Additional Tier I Capital</b>	-
<b>Total Additional Tier I Capital</b>	-
<b>DEDUCTIONS FROM TIER I CAPITAL</b>	<b>145.015</b>
Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1 <sup>st</sup> clause of Provisional Article 2 of the Regulation on the Equity of Banks (-)	145.015
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 (-)	-
<b>Total Tier I Capital</b>	<b>9.094.231</b>
<b>TIER II CAPITAL</b>	
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)	1.893.475
Sources pledged to the Bank by shareholders to be used in capital increases of the Bank	-
General Loan Loss Provisions	838.756
Share of 3 <sup>rd</sup> parties in Tier II Capital	-
<b>Tier II Capital Before Deductions</b>	<b>2.732.231</b>
<b>DEDUCTIONS FROM TIER II CAPITAL</b>	-
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>2.732.231</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>11.826.462</b>
Loans granted contrary to the 50 <sup>th</sup> and 51 <sup>st</sup> Article of the Law (-)	15.456
Net book value of amounts exceeding the limit mentioned in the 1 <sup>st</sup> 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 2 <sup>nd</sup> 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 1 <sup>st</sup> 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 1 <sup>st</sup> 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 1 <sup>st</sup> and 2 <sup>nd</sup> Paragraph of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
<b>TOTAL CAPITAL</b>	<b>11.759.029</b>
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	<b>204.170</b>
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	103.227
Amounts arising from mortgage servicing rights	-
Amounts arising from deferred tax assets based on temporary differences	100.943

	<b>Parent Bank</b>	<b>Consolidated</b>
	<b>December 31, 2015<sup>(*)</sup></b>	<b>December 31, 2015<sup>(*)</sup></b>
Capital Requirement for Credit Risk (Value at Credit Risk * 0,08) (CRCR)	5.156.328	5.368.037
Capital Requirement for Market Risk (MRCR)	85.370	88.270
Capital Requirement for Operational Risk (ORCR)	572.223	600.249
Shareholders' Equity	11.193.253	11.759.029
Shareholders' Equity/(CRCR+MRCR+ORCR) * 12,5 * 100	% 15,40	% 15,53
Additional Tier I Capital/((CRCR+CRMR+CROR)*12,5*100)	% 12,00	% 12,01
Common Equity/((CRCR+CRMR+CROR)*12,5*100)	% 12,19	% 12,20

(\*) 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.

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**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-amortised cost	Liability – Subordinated Loans-amortised cost	Liability – Subordinated Loans-amortised cost
Original date of issuance	April 24, 2008	October 06, 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.



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	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
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

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**II. Explanations on Consolidated 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. Credit Risk Management Committee and Credit Department is responsible for managing credit risk.

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

Credit Risk Management takes place in every steps of the Parent 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 Group's loan limit revision procedures.

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

The Parent 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 Parent 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 Parent Bank in line with the Parent 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 Parent Bank's current internal rating system besides the follow up method determined in the related regulation.

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

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 Parent 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 Parent Bank believes that the borrower lost his creditworthiness are considered as impaired loans.

The Parent 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".

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

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

The receivables of the Group from its top 100 non-cash loan customers are 42% in the total non-cash loans (December 31, 2015- 41%).

The receivables of the Group 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 Group 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 Group 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 Group is TL 1.288.394 (December 31, 2015- TL 1.190.403).

As of December 31, 2016 Provision for probable risks in the Group's loan portfolio amounted to TL 39.901 (December 31, 2015- TL 106.241).

<b>Exposure Categories</b>	<b>Current Period Risk Amount(*)</b>	<b>Average Risk Amount(**)</b>	<b>Prior Period Risk Amount(*)</b>	<b>Average Risk Amount(**)</b>
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	51.720	37.505	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	13.299.260	9.722.024	8.654.207	8.908.374
Conditional and unconditional receivables from corporates	27.058.141	27.971.572	20.856.150	19.895.837
Conditional and unconditional receivables from retail portfolios	36.905.829	30.857.515	24.901.437	23.921.571
Conditional and unconditional receivables secured by mortgages	9.228.499	10.532.638	17.557.366	16.517.226
Past due receivables	653.487	806.427	745.564	693.530
Receivables defined in high risk category by BRSA	78.664	1.226.927	7.067.389	6.852.677
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	3	492	15.882
Investment in equities	47.411	51.153	-	-
Other receivables	4.210.520	4.417.787	4.256.868	4.085.909

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

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

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**Profile of significant exposures in major regions**

Exposure Categories <sup>(*)</sup>																
	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total	
<b>Current Period</b>																
1. Domestic	25.551.209	12.947	51.720	-	-	3.417.292	26.720.420	36.893.701	9.227.450	653.432	52.095	-	-	-	4.094.429	106.674.695
2. European Union Countries	-	-	-	-	-	9.450.475	158.916	831	878	11	26.569	-	-	-	-	9.637.680
3. OECD Countries <sup>(**)</sup>	-	-	-	-	-	72.751	6.339	5	-	-	-	-	-	-	-	79.095
4. Offshore Banking Areas	-	-	-	-	-	20.235	52.982	29	171	-	-	-	-	-	-	73.417
5. USA, Canada	-	-	-	-	-	302.534	23.095	1.649	-	-	-	-	-	47.411	-	374.689
6. Other Countries	-	-	-	-	-	35.973	96.389	9.614	-	44	-	-	-	-	-	142.020
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116.091	116.091
8.Unallocated Assets/Liabilities <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25.551.209</b>	<b>12.947</b>	<b>51.720</b>	<b>-</b>	<b>-</b>	<b>13.299.260</b>	<b>27.058.141</b>	<b>36.905.829</b>	<b>9.228.499</b>	<b>653.487</b>	<b>78.664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47.411</b>	<b>117.097.687</b>
<b>Prior Period</b>																
1. Domestic	19.981.535	2.277	14.698	-	-	2.185.609	20.625.974	24.897.261	17.556.364	744.893	7.044.190	-	-	492	-	97.182.314
2. European Union Countries	-	-	-	-	-	6.114.804	155.903	510	771	-	23.060	-	-	-	-	6.295.048
3. OECD Countries <sup>(**)</sup>	-	-	-	-	-	55.863	-	177	-	-	0	-	-	-	-	56.040
4. Offshore Banking Areas	-	-	-	-	-	31.382	28.419	39	5	-	118	-	-	-	-	59.963
5. USA, Canada	-	-	-	-	-	243.121	16.273	168	-	-	9	-	-	-	-	259.571
6. Other Countries	-	-	-	-	-	23.428	29.581	3.282	226	671	12	-	-	-	-	57.200
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127.847	127.847
8.Unallocated Assets/Liabilities <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19.981.535</b>	<b>2.277</b>	<b>14.698</b>	<b>-</b>	<b>-</b>	<b>8.654.207</b>	<b>20.856.150</b>	<b>24.901.437</b>	<b>17.557.366</b>	<b>745.564</b>	<b>7.067.389</b>	<b>-</b>	<b>-</b>	<b>492</b>	<b>-</b>	<b>104.037.983</b>

<sup>(\*)</sup> Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

<sup>(\*\*)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(\*\*\*)</sup> Includes assets and liability items that cannot be allocated on a consistent basis

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
- 13- Securitization positions
- 14- Short-term receivables from banks, brokerage houses and corporates
- 15- Investments similar to collective investment Funds
- 16-Investment in equities
- 17- Other receivables

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**Risk Profile regarding Sectors or Counter Parties:**

Current Period	Exposure Categories <sup>(*)</sup>																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Total
Agriculture	-	-	739	-	-	-	318.836	1.697.268	36.979	11.648	929	-	-	-	-	-	-	1.952.091	114.308	2.066.399
Farming and Raising Livestock	-	-	739	-	-	-	233.395	1.674.768	34.848	11.520	929	-	-	-	-	-	-	1.923.188	33.011	1.956.199
Forestry	-	-	-	-	-	-	-	2.498	-	52	-	-	-	-	-	-	-	2.550	-	2.550
Fishing	-	-	-	-	-	-	85.441	20.002	2.131	76	-	-	-	-	-	-	-	26.353	81.297	107.650
Industrial	-	12.849	5.694	-	-	-	9.561.897	3.685.619	704.150	64.545	19.600	-	-	-	-	-	-	5.681.124	8.373.230	14.054.354
Mining and Quarrying	-	-	-	-	-	-	181.189	82.295	23.109	949	981	-	-	-	-	-	-	157.872	130.651	288.523
Production	-	-	5.694	-	-	-	6.867.368	3.583.688	676.726	63.450	18.619	-	-	-	-	-	-	5.372.292	5.843.253	11.215.545
Electricity, Gas, Water	-	12.849	-	-	-	-	2.513.340	19.636	4.315	146	-	-	-	-	-	-	-	150.960	2.399.326	2.550.286
Construction	-	-	1.227	-	-	-	2.910.112	2.323.268	780.218	25.337	8.203	-	-	-	-	-	-	4.575.515	1.472.850	6.048.365
Services	13.502.751	36	12.165	-	-	12.751.060	13.010.256	8.942.847	2.662.484	150.880	14.966	-	-	-	-	-	-	23.072.578	27.974.867	51.047.445
Wholesale and Retail Trade	-	-	1.021	-	-	-	5.116.286	7.020.863	856.396	126.341	11.478	-	-	-	-	-	-	10.251.618	2.880.767	13.132.385
Hotel, Food and Beverage	-	-	-	-	-	-	897.069	182.857	288.631	6.036	-	-	-	-	-	-	-	322.185	1.052.408	1.374.593
Transportation and Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	13.502.751	33	-	-	-	12.751.060	3.310.562	667.100	55.828	7.773	1.148	-	-	-	-	-	-	975.308	3.067.104	4.042.412
Real Estate and Rent Services	-	-	-	-	-	-	394.180	70.580	2.970	481	-	-	-	-	-	-	-	9.573.273	17.148.782	26.722.055
Self-Employment Services	-	-	-	-	-	-	1.512.679	190.712	1.141.097	1.523	-	-	-	-	-	-	-	310.758	2.535.253	2.846.011
Educational Services	-	-	9.573	-	-	-	429.499	414.500	131.800	5.202	574	-	-	-	-	-	-	601.434	389.714	991.148
Health and Social Services	-	-	1.509	-	-	-	165.865	117.626	60.130	1.036	-	-	-	-	-	-	-	309.499	36.667	346.166
Health and Social Services	-	3	61	-	-	-	1.184.116	278.609	125.632	2.488	1.766	-	-	-	-	-	-	728.503	864.172	1.592.675
Other	12.048.458	62	31.895	-	-	548.200	1.257.040	20.256.827	5.044.668	401.077	34.966	-	-	-	-	47.411	4.210.520	38.356.778	5.524.346	43.881.124
Total	25.551.209	12.947	51.720	-	-	13.299.260	27.058.141	36.905.829	9.228.499	653.487	78.664	-	-	-	-	47.411	4.210.520	73.638.086	43.459.601	117.097.687

<sup>(\*)</sup>Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
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Prior Period		Exposure Categories <sup>(*)</sup>																			
		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Total	
Agriculture	-	-	-	-	-	-	736.338	174.749	599.304	6.159	773	-	-	-	-	-	-	1.432.752	84.571	1.517.323	
Farming and Raising																					
Livestock	-	-	-	-	-	-	705.868	167.153	586.470	5.471	772	-	-	-	-	-	-	1.413.487	52.247	1.465.734	
Forestry	-	-	-	-	-	-	759	1.100	1.614	234	-	-	-	-	-	-	-	3.707	-	3.707	
Fishing	-	-	-	-	-	-	29.711	6.496	11.220	454	1	-	-	-	-	-	-	15.558	32.324	47.882	
Industrial	-	2.230					7.523.482	2.090.145	2.438.935	72.287	10.248	-	-	-	-	-	-	5.320.574	6.816.753	12.137.327	
Mining and Quarrying	-	-	-	-	-	-	174.635	45.128	65.297	1.188	732	-	-	-	-	-	-	146.742	140.238	286.980	
Production	-	-	-	-	-	-	5.577.767	2.034.513	2.184.653	70.343	9.516	-	-	-	-	-	-	5.001.337	4.875.455	9.876.792	
Electricity, Gas, Water	-	2.230	-	-	-	-	1.771.080	10.504	188.985	756	-	-	-	-	-	-	-	172.495	1.801.060	1.973.555	
Construction	-	-	-	-	-	-	2.497.737	915.151	2.399.426	46.578	10.216	-	-	-	-	-	-	3.911.842	1.957.266	5.869.108	
Services	11.397.360	28	14.666			8.057.634	8.273.613	4.970.699	6.571.071	181.805	8.210	-	-	-	-	-	-	21.174.750	18.300.336	39.475.086	
Wholesale and Retail Trade	-	-	-	-	-	-	4.755.636	4.056.882	3.296.089	155.688	7.085	-	-	-	-	-	-	9.715.614	2.555.766	12.271.380	
Hotel, Food and Beverage	-	-	-	-	-	-	398.477	54.398	680.174	873	2	-	-	-	-	-	-	287.077	846.847	1.133.924	
Transportation and Communication	-	-	-	-	-	-	1.290.781	389.005	305.576	14.164	693	-	-	-	-	-	-	999.314	1.000.905	2.000.219	
Financial Institutions	11.397.360	22		-	-	8.057.634	120.658	31.515	26.834	722	2	-	-	-	-	-	-	8.466.898	11.167.849	19.634.747	
Real Estate and Rent Services	-	-	-	-	-	-	724.224	72.825	1.533.201	2.105	29	-	-	-	-	-	-	245.697	2.086.687	2.332.384	
Self-Employment Services	-	-	7	-	-	-	209.113	172.650	255.256	5.091	130	-	-	-	-	-	-	488.432	153.815	642.247	
Educational Services	-	-	14.656	-	-	-	90.806	48.371	131.034	627	3	-	-	-	-	-	-	255.793	29.704	285.497	
Health and Social Services	-	6	3	-	-	-	683.918	145.053	342.907	2.535	266	-	-	-	-	-	-	715.925	458.763	1.174.688	
Other	8.584.175	19	32		-	596.573	1.824.980	16.750.693	5.548.630	438.735	7.037.942	-	-	-	492	-	4.256.868	41.532.491	3.506.648	45.039.139	
Total	19.981.535	2.277	14.698	-	-	8.654.207	20.856.150	24.901.437	17.557.366	745.564	7.067.389	-	-	-	492	-	4.256.868	73.372.409	30.665.574	104.037.983	

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

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
- 12- Securities collateralized by mortgages
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- 14- Short-term receivables from banks, brokerage houses and corporates
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**Analysis of maturity-bearing exposures according to remaining maturities <sup>(\*)</sup>:**

Current Period Exposure Categories	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	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	5.578
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.083.290	1.284.922	428.901	711.095	1.826.318
Conditional and unconditional receivables from corporates	2.581.482	1.924.178	2.929.112	3.250.471	14.442.268
Conditional and unconditional receivables from retail portfolios	1.883.638	3.055.728	3.800.514	4.811.758	14.558.283
Conditional and unconditional receivables secured by mortgages	59.864	147.566	347.712	576.043	8.009.285
Past due receivables	-	-	-	-	-
Receivables defined in 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	-	-	-	-	-
Investment in equities	-	-	-	-	-
Other receivables	-	-	-	-	-
<b>General Total</b>	<b>10.367.060</b>	<b>6.480.291</b>	<b>7.581.794</b>	<b>9.724.094</b>	<b>50.137.602</b>

<sup>(\*)</sup>Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

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Prior Period	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	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	1.758.776	1.164.679	185.256	233.914	1.197.287
Conditional and unconditional receivables from corporates	1.728.695	1.897.888	2.620.165	3.590.231	8.709.487
Conditional and unconditional receivables from retail portfolios	1.320.738	1.207.997	3.553.607	2.354.386	3.396.920
Conditional and unconditional receivables secured by mortgages	205.322	471.291	1.106.754	1.593.786	13.843.547
Past due receivables	-	-	-	-	-
Receivables defined in 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	-	-	-	-	-
Investment in equities	-	-	-	-	-
Other receivables	84.693	-	-	-	109
<b>General Total</b>	<b>7.470.109</b>	<b>4.755.211</b>	<b>7.472.886</b>	<b>8.114.436</b>	<b>42.259.705</b>

(\*)Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

**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	11.287.303	-	4.622.151	-	24.349.741	43.118.264	33.641.563	78.665	-	-	399.832
2. Exposures After Credit Risk Mitigation	9.848.525	-	1.635.837	5.663.072	23.060.071	36.345.227	29.664.989	78.665	-	-	399.832

**Prior Period**

Risk Weight	%0	%10	%20	%50	%75	%100	150%	%200	%250	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	18.739.685	-	3.031.147	7.810.847	32.745.049	34.643.866	2.888.311	3.949.310	229.768	397.512
2. Exposures After Credit Risk Mitigation	16.436.019	-	1.026.567	22.381.538	22.555.467	26.110.073	2.855.896	3.909.720	229.768	397.512



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**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.

<b>Current Period</b>	<b>Credit Risks<sup>(*)</sup></b>			
	<b>Impaired Loans(**)</b>	<b>Past Due Loans</b>	<b>Value Adjustments</b>	<b>Provisions(**)</b>
<b>Important Sectors /Other Parties</b>				
<b>1. Agriculture</b>	<b>74.637</b>	<b>72.212</b>	<b>2.413</b>	<b>59.429</b>
1.1. Farming and Raising Livestock	72.915	71.631	2.379	57.799
1.2. Forestry	188	172	14	175
1.3. Fishing	1.534	409	20	1.455
<b>2. Industrial</b>	<b>517.580</b>	<b>234.216</b>	<b>12.098</b>	<b>445.910</b>
2.1. Mining and Quarrying	16.403	2.615	124	11.464
2.2. Production	498.215	231.228	11.966	431.681
2.3. Electricity, Gas, Water	2.962	373	8	2.765
<b>3. Construction</b>	<b>340.940</b>	<b>117.269</b>	<b>5.487</b>	<b>291.724</b>
<b>4. Services</b>	<b>1.172.415</b>	<b>669.018</b>	<b>30.651</b>	<b>982.065</b>
4.1. Wholesale and Retail Trade	893.606	440.016	21.580	749.955
4.2. Hotel, Food and Beverage Services	92.736	86.209	3.557	72.059
4.3. Transportation and Communication	66.067	70.973	2.578	56.257
4.4. Financial Institutions	14.762	10.986	439	13.275
4.5. Real Estate and Renting Services	5.710	5.420	190	4.832
4.6. Self-Employment Services	30.440	18.971	753	24.889
4.7. Educational Services	15.666	10.846	425	14.520
4.8. Health and Social Services	53.428	25.597	1.129	46.278
<b>5. Other</b>	<b>1.979.452</b>	<b>896.888</b>	<b>81.241</b>	<b>1.615.083</b>
<b>6. Total</b>	<b>4.085.024</b>	<b>1.989.603</b>	<b>131.890</b>	<b>3.394.211</b>

(\*) Represents the distribution of cash loans.

(\*\*) Includes financial leasing and factoring balances.

<b>Prior Period</b>	<b>Credit Risks<sup>(*)</sup></b>			
	<b>Impaired Loans(**)</b>	<b>Past Due Loans</b>	<b>Value Adjustments</b>	<b>Provisions(**)</b>
<b>Important Sectors/Other Parties</b>				
<b>1. Agriculture</b>	<b>26.273</b>	<b>34.324</b>	<b>2.502</b>	<b>20.967</b>
1.1. Farming and Raising Livestock	24.967	33.515	2.425	19.707
1.2. Forestry	600	81	9	554
1.3. Fishing	706	728	68	706
<b>2. Industrial</b>	<b>233.757</b>	<b>139.052</b>	<b>18.172</b>	<b>215.150</b>
2.1. Mining and Quarrying	10.238	1.569	122	7.927
2.2. Production	222.946	137.288	18.032	206.714
2.3. Electricity, Gas, Water	573	195	18	509
<b>3. Construction</b>	<b>162.620</b>	<b>60.915</b>	<b>4.426</b>	<b>133.774</b>
<b>4. Services</b>	<b>519.344</b>	<b>423.921</b>	<b>34.592</b>	<b>513.707</b>
4.1. Wholesale and Retail Trade	347.084	272.293	23.894	345.704
4.2. Hotel, Food and Beverage Services	82.329	63.201	4.416	82.046
4.3. Transportation and Communication	35.051	45.456	3.038	32.478
4.4. Financial Institutions	9.748	7.879	514	9.748
4.5. Real Estate and Renting Services	3.771	2.239	187	3.763
4.6. Self-Employment Services	6.903	11.033	1.041	6.902
4.7. Educational Services	1.486	6.938	438	1.482
4.8. Health and Social Services	32.972	14.882	1.064	31.584
<b>5. Other</b>	<b>3.039.200</b>	<b>1.142.612</b>	<b>86.144</b>	<b>2.278.582</b>
<b>6. Total</b>	<b>3.981.194</b>	<b>1.800.824</b>	<b>145.836</b>	<b>3.162.180</b>

(\*) Represents the distribution of cash loans.

(\*\*) Includes financial leasing and factoring balances.

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**Movements in value adjustments and provisions**

<b>Current Period</b>	<b>Opening Balance</b>	<b>Provisions for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments<sup>(*)</sup></b>	<b>Closing Balance</b>
1. Specific Provisions	3.061.779	1.794.561	(400.979)	(1.203.598)	3.251.763
2. General Provisions	1.190.403	98.009	-	-	1.288.412

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

<b>Prior Period</b>	<b>Opening Balance</b>	<b>Provisions for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments<sup>(*)</sup></b>	<b>Closing Balance</b>
1. Specific Provisions	2.168.614	1.300.063	(404.778)	(2.120)	3.061.779
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:

**Exposures subject to countercyclical capital buffer:**

<b>Country</b>	<b>RWAs of Banking Book for Private Sector Lending</b>	<b>RWAs of Trading Book</b>	<b>Total</b>
Turkey	61.517.840	135.455	<b>61.653.295</b>
Malta	149.739	-	<b>149.739</b>
Other	112.151	-	<b>112.151</b>
<b>Total</b>	<b>61.779.730</b>	<b>135.455</b>	<b>61.915.185</b>

**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**

Group 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.

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

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

Risk management governance at the Group starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk 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 Group.

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

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

The CPC meets monthly and is responsible for monitoring and evaluating the Group's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORC meets every three months and is responsible for reviewing operational risk issues of the Group and defining the necessary actions to be taken to minimize these risks.

The 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.

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.

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**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 Group defines its risks, determines the risk appetite and the risk management principles. In the Policy regarding the Strategic Risk Management, the Group's strategic risk management framework and its role and responsibilities in this context are organized. ICAAP also takes place in the center of the Group's strategic risk management framework.

Corporate and Retail Loan Policies and application directions also determines the Group'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 Group in money and capital markets including limit structure.

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

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

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

**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.

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:

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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 watch list analyses for business segments
- Rating distributions, PD distributions, expected loss trend, collateral structure
- New NPLs, vintage analyses, recoveries by segments and products
- Restructured credits by segments
- Derivative products exposures by segments, stress testing
- Credit risk information regarding subsidiaries

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

Reports are prepared daily and indicatively include the following:

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

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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**

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.

It is also possible to mention that a similar precautionary level is reflected to "Communique on Credit Risk Mitigation Techniques" over conditions and legal haircut ratios required to consider collaterals as risk mitigating element. However, the Group only considers cash and cash equivalent collaterals during the calculation of capital adequacy. Consideration types of cash and cash equivalent collaterals are relatively simple and values of such collaterals reflects current market prices as of reporting dates.

Operational requirements has been increased in order to consider such collaterals as well as Basel II with respect to risk weighted applications of credits secured with commercial and residential immovable property mortgage.

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**2) Overview of RWA**

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	69.631.556	67.100.460	5.570.524
2	Standardised approach (SA)	69.631.556	67.100.460	5.570.524
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1.515.928	637.294	121.274
5	Standardised approach for counterparty credit risk (SA-CCR)	1.515.928	637.294	121.274
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 exposures 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	1.009.013	1.103.375	80.721
17	Standardised approach (SA)	1.009.013	1.103.375	80.721
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	8.018.463	7.503.118	641.477
20	Basic Indicator Approach	8.018.463	7.503.118	641.477
21	Standardised Approach	-	-	-
22	Advanced Measurement Approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>80.174.960</b>	<b>76.344.247</b>	<b>6.413.996</b>

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**Linkages between financial statements and risk amounts**

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

	a	b	c	d	e	f	g
	Carrying values in financial statements prepared as per TAS (*)	Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial	Carrying values of items in accordance with TAS				
Assets			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
Cash and balances with the Central Bank	13.103.891	13.103.884	13.103.884	-	-	-	-
Trading Financial Assets	2.824.722	2.824.722	-	2.768.077	-	2.131.693	-
Financial Assets at Fair Value Through Profit or Loss	22.971	22.971	22.971	-	-	-	-
Banks	312.100	312.066	312.066	-	-	-	-
Money Market Placements	1.667.618	1.667.618	367.013	1.300.605	-	-	-
Financial Assets Available-for-Sale (net)	7.032.113	7.032.113	7.032.113	2.810.237	-	-	-
Loans and Receivables	62.349.863	62.614.093	62.569.424	-	-	-	44.669
Factoring Receivables	753.072	750.970	750.970	-	-	-	-
Held-to-maturity investments (net)	5.900.507	5.900.507	5.900.507	3.020.634	-	-	-
Investment in Associates (net)	3.766	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	-	18.054	18.054	-	-	-	-
Investment in Joint ventures (net)	101.704	94.271	94.271	-	-	-	-
Lease Receivables	2.705.627	2.686.277	2.686.277	-	-	-	-
Derivative Financial Assets Held For Hedging	3.443.338	3.443.338	-	3.443.338	-	-	-
Property And Equipment (Net)	1.854.709	1.838.308	1.760.599	-	-	-	77.709
Intangible Assets (Net)	294.231	288.218	-	-	-	-	258.441
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	70.988	71.704	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-	-
Other Assets	1.625.178	1.652.954	1.583.046	-	-	-	19.013
<b>TOTAL ASSETS</b>	<b>104.066.398</b>	<b>104.325.834</b>	<b>96.204.961</b>	<b>13.342.891</b>	<b>-</b>	<b>2.131.693</b>	<b>399.832</b>
<b>Liabilities</b>							
Deposits	53.850.110	53.865.249	-	-	-	-	53.865.249
Derivative Financial Liabilities Held for Trading	2.601.716	2.601.716	-	-	-	2.042.040	559.676
Funds Borrowed	11.163.545	11.163.545	-	-	-	-	11.163.545
Money Markets	6.619.833	6.619.833	-	-	-	-	6.619.833
Marketable Securities Issued	6.331.577	6.331.577	-	-	-	-	6.331.577
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	6.720.886	6.720.886	-	-	-	-	6.720.886
Other Liabilities	1.058.255	1.063.878	-	-	-	-	1.063.878
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	426.728	426.728	-	-	-	-	426.728
Provisions	264.711	1.794.752	-	-	-	-	1.794.752
Tax Liability	196.962	198.098	-	-	-	-	198.098
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	3.235.793	3.235.793	-	-	-	-	3.235.793
Shareholder's Equity	11.596.282	10.303.779	-	-	-	-	10.303.779
<b>TOTAL LIABILITIES</b>	<b>104.066.398</b>	<b>104.325.834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.042.040</b>	<b>102.283.794</b>

(1) Amounts valued in accordance with TAS (IFRS financial statements) reported in financial statements have not been subject to independent audit.



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**2) Main sources of differences between regulatory exposure amounts and carrying values in 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	111.679.545	96.204.961	-	13.342.891	2.131.693
2	Liabilities carrying value amount under regulatory scope of consolidation	(2.042.040)	-	-	-	(2.042.040)
3	Total net amount under regulatory scope of consolidation	109.637.505	96.204.961	-	13.342.891	89.653
4	Off-Balance Sheet Amounts	55.251.188	8.845.488	-	-	-
5	Differences due to different netting rules	919.360				919.360
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	827.576	-	-	827.576	-
9	Differences due to credit risk reduction	(10.756.633)	(1.357.294)	-	(9.399.339)	-
	<b>Risk Amounts</b>		<b>103.693.155</b>	<b>-</b>	<b>2.603.230</b>	<b>1.009.013</b>

**3) BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures**

a) Ibtch A.Ş. and E-Finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş., which are subsidiaries of the Bank and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., which is a joint controlled entity, are not consolidated in amounts valued in accordance with TAS (BRSA consolidated financial statements) in scope of legal consolidation in the framework of “Communique on Preparation of Consolidated Financial Statements of Banks” since they are not financial institutions and they are consolidated under amounts valued in accordance with TAS reported in financial statements (IFRS financial statements). Therefore, there are differences between the items of both financial statements because of the abovementioned consolidation scope. In addition, a provision is made in the framework of TAS 39 in IFRS financial statements while general and specific provisions are calculated in scope of “Communique 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”) for credits and receivables of Main Partner Bank. It causes a significant difference in tax item not to allocate deferred tax asset over general provision and free provision amounts in the framework of BRSA communique dated December 8, 2004 and numbered BDDK.DZM.1/13/1-a-3.

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:

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills,

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- 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, option risk to 12.5.

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

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

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in 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.

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**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.

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**Credit Risk Disclosures**

**A) General Information on Credit Risk**

**1) CRD – General Qualitative Information on Credit Risk**

**a) Conversion of Group’s business model to components of credit risk profile**

The Group has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

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

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

- Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)
- Decisions of institutions auditing QNB Group
- Credit policies and procedures at 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 is the main risk management policy document in which the risks of the Group are identified, and its risk appetite and managements principles are determined. Credit risk limits are annually reviewed in line with risk strategy.

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,

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- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Group,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management,
- To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,
- To promote risk awareness and management culture at group level.

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

Risk governance model includes three lines of defense consisting of:

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

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

Internal audit function acts as one of the three lines of defense of 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, watchlist 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.

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**2) KR 1 Credit quality of assets**

	a	b	c	d
	Gross carrying values of as per TAS			
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
1 Loans	3.874.148	62.014.679	3.251.763	62.637.064
2 Debt Securities	-	12.883.567	-	12.883.567
3 Off-balance sheet exposures	-	53.293.087	41.241	53.251.846
<b>4 Total</b>	<b>3.874.148</b>	<b>128.191.333</b>	<b>3.293.004</b>	<b>128.772.477</b>

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) KR2 Changes in stock of defaulted loans and debt securities**

	a
1 Defaulted loans and debt securities at end of the previous reporting period	3.814.659
2 Loans and debt securities that have defaulted since the last reporting period	2.012.711
3 Returned to non-defaulted status	-
4 Amounts written off(*)	1.198.493
5 Other changes(**)	754.729
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>3.874.148</b>

(\*) 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.

**4) 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”.

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

*Exposures provisioned against by major regions:*

<b>Country</b>	<b>December 31, 2016</b>
Domestic	61.738.671
European Union (EU)	
Countries	162.720
USA, Canada	20.304
OECD Countries	59
Off-Shore Banking	
Regions	32.872
Other Countries	60.053
<b>Total</b>	<b>62.014.679</b>

*Exposures provisioned against by major sectors:*

	<b>December 31, 2016</b>
<b>1. Agricultural</b>	<b>1.880.523</b>
1.1. Farming and raising livestock	1.777.853
1.2. Forestry	2.742
1.3. Fishing	99.928
<b>2. Manufacturing</b>	<b>9.919.395</b>
2.1. Mining and Quarrying	210.487
2.2. Production	7.630.448
2.3. Electricity, Gas, Water	2.078.460
<b>3. Construction</b>	<b>4.173.284</b>
<b>4. Services</b>	<b>23.030.796</b>
4.1 Wholesale and retail trade	11.150.757
4.2 Hotel, food and beverage services	2.135.018
4.3 Transportation and telecommunication	3.605.133
4.4 Financial institutions	3.082.435
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	1.516.763
<b>5. Other</b>	<b>23.010.681</b>
<b>6. Total</b>	<b>62.014.679</b>

*Breakdown of Exposures according to remaining maturity:*

<b>Current period</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
Loans and Receivables	-	12.253.471	6.120.563	18.890.533	18.324.065	6.426.047	62.014.679

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**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
Domestic	3.850.668	3.228.305	1.198.493
EU Countries	22.692	22.674	-
USD, Canada	1	1	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	776	776	-
Other Countries	11	7	-
<b>Total</b>	<b>3.874.148</b>	<b>3.251.763</b>	<b>1.198.493</b>

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

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

	Loans subject to provision	Provision	Written-off from Assets
<b>1. Agriculture</b>	<b>62.127</b>	<b>50.516</b>	<b>4.733</b>
1.1. Farming and Raising Livestock	60.460	48.941	4.370
1.2. Forestry	133	120	139
1.3. Fishing	1.534	1.455	224
<b>2. Industrial</b>	<b>478.265</b>	<b>416.772</b>	<b>41.700</b>
2.1. Mining and Quarrying	8.915	8.681	141
2.2. Production	466.650	405.572	41.494
2.3. Electricity, Gas, Water	2.700	2.519	65
<b>3. Construction</b>	<b>266.896</b>	<b>248.182</b>	<b>7.974</b>
<b>4. Services</b>	<b>1.120.965</b>	<b>940.057</b>	<b>155.822</b>
4.1. Wholesale and Retail Trade	876.397	735.824	117.815
4.2. Hotel, Food and Beverage Services	92.204	71.827	18.670
4.3. Transportation and Communication	59.774	51.521	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
<b>5. Other</b>	<b>1.945.895</b>	<b>1.596.236</b>	<b>988.264</b>
<b>6. Total</b>	<b>3.874.148</b>	<b>3.251.763</b>	<b>1.198.493</b>

**g) Aging Analysis**

Overdue days	Amount
0-30	60.127.533
31-60	959.588
61-90	927.558
90+	3.874.148
<b>Total</b>	<b>65.888.827</b>

**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	-
<b>Total</b>	<b>1.302.740</b>	<b>1.703.818</b>	<b>73.703</b>

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



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**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) KR3 – 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	60.562.016	2.075.048	1.235.606	-	-	-	-
2	Debt securities	12.883.567	-	-	-	-	-	-
3	Total	73.445.583	2.075.048	1.235.606	-	-	-	-
4	Of which defaulted	620.142	2.243	247	-	-	-	-

**C) Credit risk when standard approach is used**

**1) KRD – 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.

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**2) KR4 – Standardised 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	15.817	94.286	15.817	34.545	50.362	100%
4	-	-	-	-	-	0%
5	-	-	-	-	-	0%
6	2.641.934	696.048	2.634.526	457.102	1.202.693	39%
7	21.048.997	13.980.397	20.239.217	5.658.222	25.897.439	100%
8	34.309.408	39.914.526	33.935.906	2.398.711	27.250.963	75%
9	5.636.165	333.580	5.636.165	26.905	1.982.075	35%
10	3.474.396	183.132	3.474.396	91.030	1.782.713	50%
11	653.487	-	653.240	-	482.861	74%
12	65.651	49.021	65.651	12.589	117.360	150%
13	-	-	-	-	-	0%
14	-	-	-	-	-	0%
15	-	-	-	-	-	0%
16	4.210.520	-	4.210.520	-	3.148.019	75%
17	47.411	-	47.411	-	47.411	100%
18	<b>96.204.961</b>	<b>55.251.188</b>	<b>95.014.024</b>	<b>8.679.131</b>	<b>69.631.556</b>	<b>67%</b>

- 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

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**3) KR5 – Standardised approach – exposures by asset classes and risk weights:**

	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	-	-	-	-	-	-	50.363	-	-	50.363
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
6	-	-	1.156.427	-	1.927.586	-	7.614	-	-	3.091.627
7	-	-	-	-	-	-	25.897.437	-	-	25.897.437
8	-	-	-	-	-	36.334.617	-	-	-	36.334.617
9	-	-	-	5.663.071	-	-	-	-	-	5.663.071
10	-	-	-	-	3.565.426	-	-	-	-	3.565.426
11	-	-	-	-	340.758	-	312.482	-	-	653.240
12	-	-	-	-	-	-	-	78.241	-	78.241
13	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	47.411	-	-	47.411
17	1.062.501	-	-	-	-	-	3.148.019	-	-	4.210.520
18	9.824.381	-	1.156.427	5.663.071	21.173.092	36.334.617	29.463.326	78.241	-	103.693.155

- 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- Investment in equities
- 17- Other Receivables
- 18- Total

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**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.

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

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

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

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, 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. Parent Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.
- e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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**B) 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	3.878.625	827.576		1,4	1.607.363	900.037
2	Internal Model Approach						
3	Simplified Standardised 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	<b>Total</b>						<b>1.249.628</b>

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**C) KKR2 – 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	1.607.363	266.300
4 Total amount of CVA capital adequacy	1.607.363	266.300

**D) KKR3 – Standardised 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	-	-	479.410	1.886.979	-	-	-	-	2.366.389
7	-	-	-	-	-	201.663	-	-	201.663
8	-	-	-	-	10.610	-	-	-	10.610
9	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	424	-	424
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-
19	24.144	-	479.410	1.886.979	10.610	201.663	424	-	2.603.230

- 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- Mortgage receivables
- 10- Non performing receivables
- 11- High risk defined receivables
- 12- Mortgage backed securities
- 13- Securitization Positions
- 14- Short term credit rated banks and Intermediary Institutions receivables
- 15- Collective investment undertaking investments
- 16- Equity Investments
- 17- Other Receivables
- 18- Other Assets
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**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 or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	1.495.044	-
Cash - Foreign Currency	-	3.272.578	-	377.338	3.525.142	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
<b>Total</b>	-	<b>3.272.578</b>	-	<b>377.338</b>	<b>5.020.186</b>	-

**G) CCR6 –Credit Derivatives**

Related table is not presented due to the Parent 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 standard method is used for calculation of capital adequacy.

**I) CCR8 – Exposures to central counterparties**

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

**5. Securitization exposures:**

The Parent Bank has no securitization transactions.

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**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.



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**B) Market risk under standardised approach**

	<b>RWA<sup>(**)</sup></b>
	<b>Risk Weighted Asset</b>
	<b>Current Period (Thousands of TL)</b>
Outright products <sup>(*)</sup>	998.313
1 Interest rate risk (general and specific)	639.388
2 Equity risk (general and specific)	13.050
3 Foreign exchange risk	343.113
4 Commodity risk	2.762
Options	10.700
5 Simplified approach	-
6 Delta-plus method	10.700
7 Scenario approach	-
8 Securitization	-
<b>9 Total</b>	<b>1.009.013</b>

(\*) Outright products refer to position in products that are not optional.

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

**7. Explanations on Operational Risk**

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2015, 2014 and 2013 year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 28337 dated June 28, 2012, namely “The Calculation of the Amount Subject to Operational Risk. As of December 31, 2016, the total amount subject to operational risk is TL 8.018.463. (December 31, 2015 – TL 7.503.113).

	<b>2 Prior Period</b>	<b>1 Prior Period</b>	<b>Current</b>	<b>Total / Total</b>	<b>Rate</b>	
<b>Current Period</b>	<b>Value</b>	<b>Value</b>	<b>Period value</b>	<b>number of years</b>	<b>income is</b>	<b>Total</b>
				<b>for which gross</b>	<b>positive</b>	
Gross Income	3.995.793	4.322.420	4.511.319		15	641.477
Amount subject to operational risk						
(Total*12,5)						<b>8.018.463</b>

	<b>2 Prior Period</b>	<b>1 Prior Period</b>	<b>Current</b>	<b>Total / Total</b>	<b>Rate</b>	
<b>Prior Period</b>	<b>Value</b>	<b>Value</b>	<b>Period value</b>	<b>number of years</b>	<b>income is</b>	<b>Total</b>
				<b>for which gross</b>	<b>positive</b>	
Gross Income	3.686.775	3.995.793	4.322.420		15	600.249
Amount subject to operational risk						
(Total*12,5)						<b>7.503.113</b>

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.

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**III. Explanations on Consolidated Foreign Exchange Risk**

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

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

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and 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 Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments (Details explaining Section Five Part three)

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

US Dollars purchase rate in the balance sheet date	3,5318 TL
Euro purchase rate in the balance sheet date	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 Parent 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.

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**5. Information on the consolidated foreign exchange risk of the Group (Thousands of TL)**

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank <sup>(1)</sup>	2.705.117	6.901.877	1.567.029	11.174.023
Due From Banks	97.013	149.538	17.365	263.916
Financial Assets at Fair Value through Profit/Loss <sup>(2)</sup>	80.698	91.443	245	172.386
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	348.455	2.531.588	-	2.880.043
Loans and Receivables <sup>(3)</sup>	7.764.280	8.836.547	16.922	16.617.749
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
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 <sup>(4)</sup>	1.362.338	663.221	42.753	2.068.312
<b>Total Assets</b>	<b>12.375.388</b>	<b>21.706.843</b>	<b>1.644.362</b>	<b>35.726.593</b>
<b>Liabilities</b>				
Bank Deposits	429.229	1.017.335	222.232	1.668.796
Foreign Currency Deposits <sup>(5)</sup>	5.901.732	13.646.709	1.150.954	20.699.395
Money Market Borrowings	178.710	3.340.999	-	3.519.709
Funds Provided from Other Financial Institutions	3.205.364	9.275.421	1.373.101	13.853.886
Securities Issued <sup>(6)</sup>	183.426	4.286.885	-	4.470.311
Sundry Creditors <sup>(7)</sup>	2.679.211	1.779.198	19.147	4.477.556
Derivative Fin. Liabilities Hedging Purposes	63.701	166.788	-	230.489
Other Liabilities <sup>(8)</sup>	118.899	242.169	252	361.320
<b>Total Liabilities</b>	<b>12.760.272</b>	<b>33.755.504</b>	<b>2.765.686</b>	<b>49.281.462</b>
<b>Net Balance Sheet Position</b>	<b>(384.884)</b>	<b>(12.048.661)</b>	<b>(1.121.324)</b>	<b>(13.554.869)</b>
<b>Net Off-Balance Sheet Position</b>	<b>448.647</b>	<b>10.341.525</b>	<b>1.119.800</b>	<b>11.909.972</b>
Financial Derivative Assets	5.950.109	43.105.601	1.221.052	50.276.762
Financial Derivative Liabilities	5.501.462	32.764.076	101.252	38.366.790
Non-Cash Loans <sup>(9)</sup>	2.203.845	3.737.029	72.130	6.013.004
<b>Prior Period</b>				
Total Assets	8.932.486	15.261.590	1.736.272	25.930.348
Total Liabilities	11.840.961	25.709.519	1.129.066	38.679.546
<b>Net Balance Sheet Position</b>	<b>(2.908.475)</b>	<b>(10.447.929)</b>	<b>607.206</b>	<b>(12.749.198)</b>
<b>Net Off-Balance Sheet Position</b>	<b>2.658.823</b>	<b>10.445.654</b>	<b>(603.089)</b>	<b>12.501.388</b>
Financial Derivative Assets	7.811.037	45.187.218	354.262	53.352.517
Financial Derivative Liabilities	5.152.214	34.741.564	957.351	40.851.129
Non-Cash Loans <sup>(9)</sup>	1.304.766	2.171.515	990.103	4.466.384

(1) Cash and Balances with TR Central; 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 – 9.501 TL) of currency income accruals arising from derivative transactions.

(3) Includes TL 3.859.134 TL (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 February 19, 2006. Does not include repealed financial leasing receivables amounting to TL 5.416 (December 31, 2015 – TL 1.300) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 41.327 (December 31, 2015 – TL 64.576) accounted as TL in balance sheet.

(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) Sundry Creditors do not include the Foreign Exchange Loan Factoring payables amounting to TL 8.

(8) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 41.958 (December 31, 2015 – TL 38.874)

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

As of December 31, 2016, the net foreign currency exposure of the Group is TL 1.644.897 short position (December 31, 2015 – TL – 247.810 short) resulting from on balance sheet short position amounting to TL 13.554.869 (December 31, 2015 – TL 12.749.198 short) and long off balance sheet position amounting to TL 11.909.972 (December 31, 2015 – TL 12.501.388 long). As it is stated Five, net foreign currency short position of the Group is TL 302.813 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.

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**6. Sensitivity to Foreign Exchange Risk**

The Bank is subject to exchange rate risk mainly from Euro and USD. The table below shows the Bank's sensitivity to a 10% change in Euro and USD currencies. It is assumed that all other variables are constant.

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
USD	% 10 gain	(147)	(29.204)	3.823	(10.191)
	% 10 loss	147	29.204	(3.823)	10.191
EURO	% 10 gain	6.402	5.101	(10.716)	(10.966)
	% 10 loss	(6.402)	(5.101)	10.716	10.966

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

**IV. Explanations on Consolidated Interest Rate Risk**

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

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

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

Parent Bank's asset and liabilities carry positive interest rate income and are repriced every nine months. Therefore the Bank holds limited amount of interest rate risk.

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

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

(Based on repricing dates)

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non Interest Bearing <sup>(*)</sup></b>	<b>Total</b>
<b>Assets</b>							
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	-	-	-	-	5.562.565	13.103.884
Due from Banks	75.512	-	12.182	-	-	224.372	312.066
Financial Assets at Fair Value Through Profit/Loss <sup>(**)</sup>	762	8.370	2.147	12.766	31.198	6.235.788	6.291.031
Money Market Placements	1.667.618	-	-	-	-	-	1.667.618
Inv. Securities Available for Sale	1.540.616	403.471	1.609.451	847.566	2.787.198	(156.189)	7.032.113
Loans and Receivables	13.430.498	7.611.418	21.746.543	15.606.797	2.672.475	1.546.362	62.614.093
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	542.660	287.328	860.692	1.528.411	86.391	4.099.040	7.404.522
<b>Total Assets</b>	<b>24.977.358</b>	<b>9.491.841</b>	<b>25.857.036</b>	<b>19.297.038</b>	<b>7.093.985</b>	<b>17.608.576</b>	<b>104.325.834</b>
<b>Liabilities</b>							
Bank Deposits	1.193.196	572.973	67.578	-	-	139.238	1.972.985
Other Deposits	30.613.782	9.899.613	1.874.874	47.910	-	9.456.085	51.892.264
Money Market Borrowings	4.842.526	914.488	824.886	-	27.944	9.989	6.619.833
Sundry Creditors	4.389.726	-	-	-	-	2.331.160	6.720.886
Securities Issued	708.413	2.280.490	1.551.647	1.750.319	-	40.708	6.331.577
Funds Borrowed	2.295.865	2.471.838	9.333.096	231.261	351	66.927	14.399.338
Other Liabilities <sup>(***)</sup>	4.200	-	-	-	-	16.384.751	16.388.951
<b>Total Liabilities</b>	<b>44.047.708</b>	<b>16.139.402</b>	<b>13.652.081</b>	<b>2.029.490</b>	<b>28.295</b>	<b>28.428.858</b>	<b>104.325.834</b>
<b>Off-Balance Sheet Items</b>							
On Balance Sheet Long Position	-	-	12.204.955	17.267.548	7.065.690	-	36.538.193
On Balance Sheet Short Position	(19.070.350)	(6.647.561)	-	-	-	(10.820.282)	(36.538.193)
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)
<b>Total Position</b>	<b>(13.932.134)</b>	<b>5.109.288</b>	<b>10.862.926</b>	<b>7.916.151</b>	<b>4.685.849</b>	<b>(10.820.282)</b>	<b>3.821.798</b>

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

<sup>(\*\*)</sup> Financial Assets at Fair Value Through Profit/Loss include TL 3.443.338 derivative financial assets used for hedging purposes.

<sup>(\*\*\*)</sup> Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 426.728.

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**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items**  
*(Based on repricing dates)*

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non Interest Bearing <sup>(*)</sup></b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	5.726.666	-	-	-	-	4.270.379	9.997.045
Due from Banks	99.989	5.000	-	-	-	213.150	318.139
Financial Assets at Fair Value Through Profit/Loss <sup>(**)</sup>	183	47.272	12.419	14.758	42.785	5.490.280	5.607.697
Money Market Placements	87.711	-	-	-	-	-	87.711
Inv. Securities Available for Sale	1.392.541	310.046	1.427.730	334.391	1.832.927	(1.985)	5.295.650
Loans and Receivables	12.483.011	7.853.000	19.402.776	14.351.621	1.154.277	1.817.510	57.062.195
Inv. Securities Held to Maturity	166.413	1.026.712	1.468.368	951.410	176.449	84.562	3.873.914
Other Assets	409.570	275.030	626.273	1.062.551	61.842	3.371.449	5.806.715
<b>Total Assets</b>	<b>20.366.084</b>	<b>9.517.060</b>	<b>22.937.566</b>	<b>16.714.731</b>	<b>3.268.280</b>	<b>15.245.345</b>	<b>88.049.066</b>
<b>Liabilities</b>							
Bank Deposits	1.247.544	268.133	12.689	-	-	28.404	1.556.770
Other Deposits	27.163.445	10.109.320	1.694.629	38.035	-	7.749.078	46.754.507
Money Market Borrowings	3.655.981	796.433	349.686	-	-	7.161	4.809.261
Sundry Creditors	3.417.799	-	-	-	-	2.105.631	5.523.430
Securities Issued	327.199	1.499.770	1.498.843	2.450.170	-	51.005	5.826.987
Funds Borrowed	1.122.245	915.524	6.358.514	297.504	-	34.389	8.728.176
Other Liabilities <sup>(***)</sup>	125	31	139	-	-	14.849.640	14.849.935
<b>Total Liabilities</b>	<b>36.934.338</b>	<b>13.589.211</b>	<b>9.914.500</b>	<b>2.785.709</b>	<b>-</b>	<b>24.825.308</b>	<b>88.049.066</b>
On Balance Sheet Long Position	-	-	13.023.066	13.929.022	3.268.280	-	30.220.368
On Balance Sheet Short Position	(16.568.254)	(4.072.151)	-	-	-	(9.579.963)	(30.220.368)
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)
<b>Total Position</b>	<b>(11.493.181)</b>	<b>4.077.696</b>	<b>14.675.189</b>	<b>4.342.021</b>	<b>1.471.328</b>	<b>(9.579.963)</b>	<b>3.493.090</b>

(\*) 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**

<b>Current Period</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TL %</b>
<b>Assets</b>				
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	0,48	1,81	-	9,26
Financial Assets at Fair Value Through Profit/Loss	2,41	5,17	-	9,99
Money Market Placements	-	-	-	9,18
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 for Trading	2,96	5,06	-	9,70
<b>Liabilities</b>				
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	-	11,34
Funds Borrowed	2,05	3,41	-	11,19

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**Average interest rates applied to monetary financial instruments**

Prior Period	EUR %	USD %	JPY %	TL %
<b>Assets</b>				
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	0,56	-	11,61
Financial Assets at Fair Value Through Profit/Loss	1,94	4,57	-	9,14
Money Market Placements	-	-	-	-
Investment Securities Available for Sale	3,68	4,96	-	9,93
Loans and Receivables	4,23	4,57	3,65	14,42
Investment Securities Held to Maturity	2,96	5,22	-	10,01
<b>Liabilities</b>				
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	1,82	1,76	-	6,12
Securities Issued	-	5,89	-	11,90
Funds Borrowed	1,88	3,28	-	9,83

**Interest rate risk on banking book**

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

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

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

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

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.

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.

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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. EURO	(+) 200	(177.287)	%(1,58)
	(-) 200	205.420	%1,83
3. USD	(+) 200	(184.363)	%(1,64)
	(-) 200	232.063	%2,06
<b>Total (of negative shocks)</b>		<b>1.406.854</b>	<b>%12,52</b>
<b>Total (of positive shocks)</b>		<b>(1.373.404)</b>	<b>%(12,22)</b>

**V. Explanations on consolidated equity securities position risk**

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
<b>1. Equity Investments Group A</b>	<b>17.546</b>	-	<b>17.546</b>
Quoted Securities	17.546	-	17.546
<b>2. Equity Investments Group B</b>	-	-	-
Quoted Securities	-	-	-
<b>3. Equity Investments Group C</b>	-	-	-
Quoted Securities	-	-	-
<b>4. Equity Investments Group Other</b>	<b>116.091 (*)</b>	<b>126.643(**)</b>	-

(\*) Associates and subsidiaries not quoted to BIST and not classified as investment in shares by CMB.

(\*\*) Refers to entity under common control accounted at fair value but not traded at the quoted markets.

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Core Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	1.242	-	-	(173)	-	(78)
3. Other Shares	-	-	-	-	-	-
<b>4. Total</b>	<b>1.242</b>	<b>-</b>	<b>-</b>	<b>(173)</b>	<b>-</b>	<b>(78)</b>



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

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

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in Parent Bank in order to monitor related limits. Senior management of Parent 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.

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 FX swap and FX 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 Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the 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.

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**Liquidity Coverage Ratio**

<b>CURRENT PERIOD - December 31, 2016</b>	<b>Unweighted Amounts<sup>(*)</sup></b>		<b>Weighted Amounts<sup>(*)</sup></b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>14.875.566</b>	<b>8.053.418</b>
1. High Quality Liquid Assets	16.972.402	10.150.254	14.875.566	8.053.418
<b>CASH OUTFLOWS</b>				
2. Retail and Small Business Customers Deposits	37.412.200	14.015.648	3.329.691	1.401.565
3. Stable deposits	8.230.580	-	411.529	-
4. Less stable deposits	29.181.620	14.015.648	2.918.162	1.401.565
5. Unsecured Funding other than Retail and Small Business Customers Deposits	19.664.517	9.303.850	13.592.611	6.651.680
6. Operational deposits	727.093	20.408	181.773	5.101
7. Non-Operational Deposits	13.106.651	6.148.072	8.119.375	3.511.209
8. Other Unsecured Funding	5.830.773	3.135.370	5.291.463	3.135.370
9. Secured funding			744.683	744.683
10. Other Cash Outflows	15.940.082	9.989.012	15.940.082	9.989.012
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	15.940.082	9.989.012	15.940.082	9.989.012
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	234.867	-	11.743	-
15. Other irrevocable or conditionally revocable commitments	52.321.533	6.971.923	3.546.844	604.728
<b>16. TOTAL CASH OUTFLOWS</b>			<b>37.165.654</b>	<b>19.391.668</b>
<b>CASH INFLOWS</b>				
17. Secured Lending Transactions	542.994	-	-	-
18. Unsecured Lending Transactions	7.108.042	1.993.846	4.562.997	1.753.188
19. Other contractual cash inflows	14.464.815	9.621.128	14.464.815	9.621.128
<b>20. TOTAL CASH INFLOWS</b>	<b>22.115.851</b>	<b>11.614.974</b>	<b>19.027.812</b>	<b>11.374.316</b>
			<b>Capped Amounts</b>	
<b>21. TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>14.875.566</b>	<b>8.053.418</b>
<b>22. TOTAL NET CASH OUTFLOWS</b>			<b>18.137.842</b>	<b>8.017.352</b>
<b>23. LIQUIDITY COVAREGE RATIO (%)</b>			<b>82,01%</b>	<b>100,45%</b>

(\*) Simple arithmetic average calculated for the last three months of values calculated by taking the monthly simple arithmetic average.

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PRIOR PERIOD - December 31, 2015	Unweighted Amounts <sup>(*)</sup>		Weighted Amounts <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>12,547.720</b>	<b>7,199.398</b>
1. High Quality Liquid Assets	14.258.534	8.910.988	12.547.720	7.199.398
<b>CASH OUTFLOWS</b>				
2. Retail and Small Business Customers Deposits	32.837.720	12.568.703	2.798.784	1.133.632
3. Stable deposits	9.699.766	2.464.775	484.988	123.239
4. Less stable deposits	23.137.954	10.103.928	2.313.796	1.010.393
5. Unsecured Funding other than Retail and Small Business Customers Deposits	17.847.748	9.428.075	11.133.563	5.891.088
6. Operational deposits	649.371	20.912	162.343	5.228
7. Non-Operational Deposits	12.452.515	6.897.681	6.546.758	3.376.378
8. Other Unsecured Funding	4.745.862	2.509.482	4.424.462	2.509.482
9. Secured funding			238.705	238.705
10. Other Cash Outflows	15.159.150	9.596.366	15.159.150	9.596.366
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	15.159.150	9.596.366	15.159.150	9.596.366
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	569.850	141.021	28.493	7.051
15. Other irrevocable or conditionally revocable commitments	43.730.869	4.509.859	2.947.252	399.370
<b>16. TOTAL CASH OUTFLOWS</b>			<b>32,305.947</b>	<b>17,266.212</b>
<b>CASH INFLOWS</b>				
17. Secured Lending Transactions	583.691	-	-	-
18. Unsecured Lending Transactions	5.122.022	774.397	2.871.544	617.004
19. Other contractual cash inflows	13.701.483	9.160.297	13.701.484	9.160.297
<b>20. TOTAL CASH INFLOWS</b>	<b>19,407.196</b>	<b>9,934.694</b>	<b>16,573.028</b>	<b>9,777.301</b>
			<b>Capped Amount</b>	
<b>21. TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>12,547.720</b>	<b>7,199.398</b>
<b>22. TOTAL NET CASH OUTFLOWS</b>			<b>15,732.919</b>	<b>7,488.911</b>
<b>23. LIQUIDITY COVERAGE RATIO (%)</b>			<b>79,75%</b>	<b>96,13%</b>

(\*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

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Minimum, maximum and average liquidity coverage ratios calculated in accordance with the “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette no. 28948, dated March 21, 2014 for the last three months are explained in the table below.

	<b>Maximum</b>	<b>Date</b>	<b>Minimum</b>	<b>Date</b>	<b>Average</b>
<b>TL+FC</b>	97,9	30/12/2016	70,2	31/10/2016	82,6
<b>FC</b>	123,4	30/12/2016	72,4	31/10/2016	105,9

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

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

Funding sources of the Parent Bank mainly consist of deposits which constitute 52% of total liabilities of the Group (December 31, 2015 – 55%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 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 of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

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

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

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**Presentation of assets and liabilities according to their remaining maturities**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Un-Allocated<sup>(1)</sup></b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	4.005.905	9.097.979	-	-	-	-	-	13.103.884
Due from Banks	224.372	75.512	-	12.182	-	-	-	312.066
Financial Assets at Fair Value Through Profit/Loss <sup>(2)</sup>	-	740.370	547.677	1.558.630	3.253.717	190.637	-	6.291.031
Money Market Placements	-	1.667.618	-	-	-	-	-	1.667.618
Investment Securities Available for Sale	49.053	291.851	51.417	231.491	2.543.365	3.864.936	-	7.032.113
Loans and Receivables	-	12.253.471	6.120.108	18.889.167	18.322.244	6.406.718	622.385	62.614.093
Investment Securities Held to Maturity	-	-	80.618	50.057	2.306.876	3.462.956	-	5.900.507
Other Assets	3.202	1.432.199	412.531	940.751	1.950.275	89.408	2.576.156	7.404.522
<b>Total Assets</b>	<b>4.282.532</b>	<b>25.559.000</b>	<b>7.212.351</b>	<b>21.682.278</b>	<b>28.376.477</b>	<b>14.014.655</b>	<b>3.198.541</b>	<b>104.325.834</b>
<b>Liabilities</b>								
Bank Deposits	136.155	1.195.558	573.497	67.775	-	-	-	1.972.985
Other Deposits	9.222.301	30.755.214	9.948.909	1.915.633	50.207	-	-	51.892.264
Funds Borrowed	-	1.251.769	918.227	7.703.691	4.038.848	486.803	-	14.399.338
Money Market Borrowings	-	4.846.482	584.557	514.581	151.567	522.646	-	6.619.833
Securities Issued	-	708.661	909.764	1.846.517	2.804.351	62.284	-	6.331.577
Sundry Creditors	-	3.321.133	91.047	203.046	3.039.065	66.595	-	6.720.886
Other Liabilities <sup>(3)</sup>	-	1.494.292	531.036	772.042	1.161.794	316.067	12.113.720	16.388.951
<b>Total Liabilities</b>	<b>9.358.456</b>	<b>43.573.109</b>	<b>13.557.037</b>	<b>13.023.285</b>	<b>11.245.832</b>	<b>1.454.395</b>	<b>12.113.720</b>	<b>104.325.834</b>
<b>Liquidity Gap</b>	<b>(5.075.924)</b>	<b>(18.014.109)</b>	<b>(6.344.686)</b>	<b>8.658.993</b>	<b>17.130.645</b>	<b>12.560.260</b>	<b>(8.915.179)</b>	<b>-</b>
<b>Net Off- Balance Sheet Position <sup>(4)</sup></b>	<b>-</b>	<b>253.881</b>	<b>210.516</b>	<b>550.128</b>	<b>1.802.009</b>	<b>17.668</b>	<b>-</b>	<b>2.834.202</b>
Receivables from financial derivative instruments	-	18.109.425	15.593.274	16.090.618	22.669.507	5.609.532	-	78.072.356
Liabilities from derivative financial instruments	-	17.855.544	15.382.758	15.540.490	20.867.498	5.591.864	-	75.238.154
<b>Non Cash Loans <sup>(5)</sup></b>	<b>-</b>	<b>682.951</b>	<b>1.432.264</b>	<b>4.438.990</b>	<b>2.025.020</b>	<b>325.772</b>	<b>4.279.013</b>	<b>13.184.010</b>
<b>Prior period</b>								
Total Assets	3.617.141	20.405.629	7.158.918	19.821.700	23.555.751	10.483.922	3.006.005	88.049.066
Total Liabilities	7.560.002	37.434.853	12.796.214	7.382.641	8.179.876	3.512.354	11.183.126	88.049.066
<b>Liquidity Gap</b>	<b>(3.942.861)</b>	<b>(17.029.224)</b>	<b>(5.637.296)</b>	<b>12.439.059</b>	<b>15.375.875</b>	<b>6.971.568</b>	<b>(8.177.121)</b>	<b>-</b>
<b>Net Off- Balance Sheet Position <sup>(4)</sup></b>	<b>-</b>	<b>155.717</b>	<b>201.826</b>	<b>769.845</b>	<b>1.501.774</b>	<b>63.421</b>	<b>-</b>	<b>2.692.583</b>
Receivables from financial derivative instruments	-	18.432.215	9.932.419	23.640.835	22.132.466	4.386.397	-	78.524.332
Liabilities from derivative financial instruments	-	18.276.498	9.730.593	22.870.990	20.630.692	4.322.976	-	75.831.749
<b>Non Cash Loans <sup>(5)</sup></b>	<b>-</b>	<b>433.440</b>	<b>830.347</b>	<b>3.479.655</b>	<b>2.007.868</b>	<b>70.982</b>	<b>3.653.534</b>	<b>10.475.826</b>

(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 10.303.779, unallocated provisions and deferred tax liability amounting to TL 1.794.752.

(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.

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**Financial Liabilities according to the remaining maturities on the contract**

The table below shows the maturity breakdown of the Bank's financial liabilities that are not classified as derivatives. These tables were prepared by taking the closest dates that the Bank will recognize its future cash flows. The interest payable through the said assets and liabilities are included in the tables below.

<b>Current Period</b>	<b>Undated</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and longer</b>	<b>Total</b>	<b>Balance Sheet Value</b>
Bank Deposits	136.155	1.196.628	576.800	68.381	-	-	1.977.964	1.972.985
Other Deposits	9.222.301	30.842.183	9.983.773	2.032.934	54.711	-	52.135.902	51.892.264
Payables to Money Market	-	4.850.497	588.722	523.273	164.215	577.095	6.703.802	6.619.833
Funds from other Financial Institutions	-	1.590.349	973.076	8.092.202	4.739.947	501.544	15.897.118	14.399.338
Securities Issued	-	843.524	947.567	3.802.838	1.257.304	64.963	6.916.196	6.331.577
Noncash Loans <sup>(*)</sup>	4.279.013	682.951	1.432.264	4.438.990	2.025.020	325.772	13.184.010	13.184.010

<b>Prior Period</b>	<b>Undated</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Longer</b>	<b>Total</b>	<b>Balance Sheet Value</b>
Bank Deposits	26.037	1.250.819	269.432	12.797	-	-	1.559.085	1.556.770
Other Deposits	7.522.286	27.393.985	10.254.442	1.825.715	44.145	-	47.040.573	46.754.507
Payables to Money Market	-	3.663.531	804.042	39.965	-	326.705	4.834.243	4.809.261
Funds from other Financial Institutions	-	1.127.915	657.442	3.209.402	2.772.782	2.037.972	9.805.513	8.728.176
Securities Issued	-	350.294	335.131	1.809.961	3.873.003	76.084	6.444.473	5.826.987
Noncash Loans <sup>(*)</sup>	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 maturity breakdown of the Bank's derivative assets and liabilities.

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Longer</b>	<b>Total</b>
Forward contracts buying <sup>(**)</sup>	2.862.930	1.227.332	1.655.467	13.864	-	5.759.593
Forward contracts selling <sup>(**)</sup>	(2.925.301)	(1.224.732)	(1.672.828)	(13.534)	-	(5.836.395)
Swap contracts buying <sup>(*)</sup>	18.956.449	7.354.138	13.551.450	22.637.165	5.609.531	68.108.733
Swap contracts selling <sup>(*)</sup>	(18.594.212)	(7.115.960)	(12.702.683)	(20.270.400)	(5.591.864)	(64.275.119)
Futures buying	-	1.685	34.727	818	-	37.230
Futures selling	-	(1.685)	(34.727)	(818)	-	(37.230)
Options buying	1.238.728	2.669.901	849.133	-	-	4.757.762
Options selling	(1.257.010)	(2.727.322)	(847.706)	-	-	(4.832.038)
Other	-	-	282.544	600.406	-	882.950
<b>Total</b>	<b>281.584</b>	<b>183.357</b>	<b>1.115.377</b>	<b>2.967.501</b>	<b>17.667</b>	<b>4.565.486</b>

(\*) Derivative financial assets held for cash flow hedges are included.

(\*\*) Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 years and Longer</b>	<b>Total</b>
Forward contracts buying <sup>(**)</sup>	2.789.765	900.955	950.963	26.906	-	4.668.589
Forward contracts selling <sup>(**)</sup>	(2.762.992)	(911.233)	(960.933)	(27.134)	-	(4.662.292)
Swap contracts buying <sup>(*)</sup>	13.654.416	6.106.849	20.904.399	22.047.408	4.386.399	67.099.471
Swap contracts selling <sup>(*)</sup>	(13.491.441)	(5.907.471)	(20.146.303)	(19.949.348)	(4.322.976)	(63.817.539)
Futures buying	45.984	45.918	192.195	-	-	284.097
Futures selling	(45.984)	(45.918)	(192.195)	-	-	(284.097)
Options buying	2.606.668	2.616.412	1.592.909	-	-	6.815.989
Options selling	(2.623.534)	(2.620.599)	(1.571.170)	-	-	(6.815.303)
Other	-	-	-	712.362	-	712.362
<b>Total</b>	<b>172.882</b>	<b>184.913</b>	<b>769.865</b>	<b>2.810.194</b>	<b>63.423</b>	<b>4.001.277</b>

(\*) Derivative financial assets held for cash flow hedges are included.

(\*\*) Include the Dated, Asset Value Buying and Selling obligations that are in Obligations

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**VII. Explanations on Consolidated Leverage Ratio**

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

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,28% (December 31, 2015: 6,67%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

	<b>Current Period<sup>(**)</sup></b>	<b>Prior Period<sup>(**)</sup></b>
<b>1</b> Total asset amount in consolidated financial statements prepared in accordance with TFRS <sup>(*)</sup>	101.293.023	89.127.102
<b>2</b> Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	381.390	139.635
<b>3</b> Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	773.474	1.350.098
<b>4</b> Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	-	-
<b>5</b> Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of off balance transactions	55.119.905	45.642.936
<b>6</b> Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	(335.210)	(345.909)
<b>7 Total Risk Amount</b>	<b>157.232.582</b>	<b>135.913.862</b>

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

<sup>(\*\*)</sup> Amounts presented above represent the arithmetic average of the last three months

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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 (*)
<b>Assets on Balance sheet</b>		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	96.302.179	83.470.143
(Assets deducted from capital stock)	335.210	345.909
<b>Total risk amount related to Assets on Balance sheet</b>	<b>95.966.969</b>	<b>83.124.234</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	5.372.234	5.796.594
Potential credit risk amount of derivative financial instruments and credit derivatives	773.474	1.350.098
<b>Total risk amount related to derivative financial instruments and credit derivatives</b>	<b>6.145.708</b>	<b>7.146.692</b>
<b>Financial transactions having security or commodity collateral</b>		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
<b>Total risk amount related to financial transactions having security or commodity collateral</b>	<b>-</b>	<b>-</b>
<b>Off-Balance sheet Transaction</b>		
Gross nominal amount of off-balance sheet transactions	55.725.410	46.196.301
(Adjustment amount sourcing from multiplying to credit conversion rates)	(605.505)	(553.365)
<b>Total risk amount related to off-balance sheet transactions</b>	<b>55.119.905</b>	<b>45.642.936</b>
<b>Capital and Total Risk</b>		
Core Capital	9.867.630	9.065.704
Amount of total risk	<b>157.232.582</b>	<b>135.913.862</b>
<b>Financial leverage ratio</b>	<b>6,28%</b>	<b>6,67%</b>
Financial leverage ratio	6,28%	6,67%

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



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**VIII. Explanations related to presentation of financial assets and liabilities at their fair value**

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

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 Period	Prior Period	Current period	Prior period
<b>Financial Assets</b>	<b>80.963.644</b>	<b>69.146.287</b>	<b>80.660.652</b>	<b>68.594.745</b>
Banks	312.066	318.139	312.066	318.139
Receivables from Money Market	1.667.618	87.711	1.667.618	87.711
Loans and Receivables	62.614.093	57.062.195	62.366.527	56.535.835
Factoring Receivables	750.970	571.726	750.970	571.726
Leasing Receivables	2.686.277	1.936.952	2.775.831	1.946.155
Available for Sale Financial Assets	7.032.113	5.295.650	7.032.113	5.295.650
Securities Held to Maturity	5.900.507	3.873.914	5.755.527	3.839.529
<b>Financial Liabilities</b>	<b>87.936.883</b>	<b>73.199.131</b>	<b>88.043.806</b>	<b>73.228.719</b>
Bank Deposits	1.972.985	1.556.770	1.973.153	1.557.289
Other Deposits	51.892.264	46.754.507	51.916.704	46.764.514
Funds from Other Financial Institutions	14.399.338	8.728.176	14.322.946	8.635.554
Payables to Money Market	6.619.833	4.809.261	6.619.833	4.809.261
Securities Issued	6.331.577	5.826.987	6.490.284	5.938.671
Other Debts	6.720.886	5.523.430	6.720.886	5.523.430

IFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations.

Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>6.999.467</b>	<b>6.319.452</b>	<b>-</b>	<b>13.318.919</b>
Financial Assets at Fair Value through Profit/Loss	50.811	-	-	50.811
Assets on Trading Derivatives	3.781	2.770.130	-	2.773.911
Investment Securities Available for Sale <sup>(*)</sup>	6.944.875	83.013	-	7.027.888
Loans and Receivables <sup>(**)</sup>	-	22.971	-	22.971
Hedging derivative financial assets	-	3.443.338	-	3.443.338
<b>Financial Liabilities</b>	<b>502</b>	<b>3.027.942</b>	<b>-</b>	<b>3.028.444</b>
Liabilities on Trading Derivatives	502	2.601.214	-	2.601.716
Derivative Financial Liabilities for Hedging Purposes	-	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.

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>5.379.917</b>	<b>5.476.076</b>	<b>47.354</b>	<b>10.903.347</b>
Financial Assets at Fair Value through Profit/Loss	83.954	-	-	83.954
Assets on Trading Derivatives	313	2.237.067	-	2.237.380
Investment Securities Available for Sale	5.295.650	-	-	5.295.650
Loans and Receivables <sup>(*)</sup>	-	-	47.354	47.354
Hedging derivative financial assets	-	3.239.009	-	3.239.009
<b>Financial Liabilities</b>	<b>273</b>	<b>2.439.635</b>	<b>-</b>	<b>2.439.908</b>
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:

	<b>Current Period</b>	<b>Prior Period</b>
Opening Balance	<b>47.354</b>	<b>98.143</b>
Change in total gain/loss	(11.166)	(22.730)
Accounted in income statement	(11.166)	(22.730)
Accounted in other comprehensive income	-	-
Purchases	-	-
Disposals	-	-
Matured Loans <sup>(*)</sup>	(13.217)	(28.059)
Sales from Level 3	(22.971)	-
<b>Closing Balance</b>	<b>-</b>	<b>47.354</b>

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

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	685.252	376.428	678.547	274.822
T.R. Central Bank	1.244.513	10.795.316	1.409.024	7.632.114
Others	96	2.279	522	2.016
<b>Total</b>	<b>1.929.861</b>	<b>11.174.023</b>	<b>2.088.093</b>	<b>7.908.952</b>

**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
<b>Total</b>	<b>1.244.513</b>	<b>10.795.316</b>	<b>1.409.024</b>	<b>7.632.114</b>

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% and 25%). In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15”, the reserve requirements can be maintained as TL, USD, EUR and standard gold.

According to T. C. Central Bank 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 (net amounts are expressed)**

**a) Information on Subject to repurchase agreements and given as Collateral /blocked Investment securities**

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	23.752	2.831	19.808	-
Subject to repurchase agreement	7.092	-	24.533	-
<b>Total</b>	<b>30.844</b>	<b>2.831</b>	<b>44.341</b>	<b>-</b>

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**b) Positive differences on trading derivative instruments**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	106.629	-	52.806	-
Swap Transactions	2.464.878	144.158	1.936.192	123.192
Futures	-	388	-	313
Options	3.393	54.465	-	124.844
Other	-	-	-	33
<b>Total</b>	<b>2.574.900</b>	<b>199.011</b>	<b>1.988.998</b>	<b>248.382</b>

**3. a) Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	26.882	1.726	10.209	1.178
Foreign	21.268	262.190	136	306.616
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>48.150</b>	<b>263.916</b>	<b>10.345</b>	<b>307.794</b>

**b) Information on foreign bank accounts**

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	141.028	49.361	12.409	10.112
USA and Canada	69.269	215.324	36.234	29.691
OECD Countries (*)	1.586	1.760	-	-
Off-shore Banking Regions	20.948	-	-	-
Other	1.984	504	-	-
<b>Total</b>	<b>234.815</b>	<b>266.949</b>	<b>48.643</b>	<b>39.803</b>

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

(\*\*) Includes blocked placements amounting to TL 48.643 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	
	TP	YP	TP	YP
<b>Domestic Transactions</b>	<b>1.300.605</b>	-	-	-
T.R. Central Bank	-	-	-	-
Banks	1.300.605	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
<b>Foreign Transactions</b>	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
<b>Total</b>	<b>1.300.605</b>	-	-	-

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**5. Information on Investment securities available for sale**

**a) Information on investment securities available for-sale that are subject to repurchase agreements and given as Collateral /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
<b>Total</b>	<b>1.269.670</b>	<b>2.811.558</b>	<b>1.977.597</b>	<b>1.879.189</b>

**b) Investment securities available for sale**

	Current Period	Prior Period
<b>Debt securities</b>	<b>7.250.707</b>	<b>5.392.394</b>
Quoted on a stock exchange (*)	7.250.707	5.392.394
Unquoted on a stock exchange	-	-
<b>Share certificates</b>	<b>49.457</b>	<b>4.988</b>
Quoted on a stock exchange (***)	27	626
Unquoted on a stock exchange	49.430	4.362
<b>Impairment provision (-)</b>	<b>(268.051)</b>	<b>(101.732)</b>
<b>Total</b>	<b>7.032.113</b>	<b>5.295.650</b>

(\*) 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.

(\*\*) Includes "exchange traded mutual funds" amounting to TL 487 as at December 31, 2015.

(\*\*\*) It includes 11.695 Type C Visa Inc shares transferred to Parent 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 Parent Bank**

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	<b>1.179</b>	-	-	<b>21.651</b>
Corporate Shareholders	1.179	-	-	21.651
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	80.379	-	74.844	-
<b>Total</b>	<b>81.558</b>	-	<b>74.844</b>	<b>21.651</b>

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

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

Cash Loans <sup>(*)</sup>	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	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Non-specialized Loans</b>	<b>57.844.827</b>	<b>1.302.740</b>	-	<b>4.169.852</b>	<b>1.703.818</b>	-
Discount Notes	809.364	-	-	10.011	-	-
Export Loans	1.314.659	-	-	192.243	-	-
Import Loans	19.170	-	-	-	-	-
Loans Given to Financial Sector	778.532	-	-	-	-	-
Retail Loans	13.432.368	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	-
<b>Specialized Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>57.844.827</b>	<b>1.302.740</b>	-	<b>4.169.852</b>	<b>1.703.818</b>	-

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

No. of Extensions	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
<b>Total</b>	<b>1.302.740</b>	<b>1.703.818</b>

Extension Periods	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
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
<b>Total</b>	<b>1.302.740</b>	<b>1.703.818</b>

**c) Loans according to their maturity structure**

Cash Loans <sup>(*)</sup>	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
<b>Short-term Loans</b>	<b>24.601.886</b>	<b>250.133</b>	<b>445.268</b>	<b>159.631</b>
Non-specialized Loans	24.601.886	250.133	445.268	159.631
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-term Loans</b>	<b>33.242.941</b>	<b>1.052.607</b>	<b>3.724.584</b>	<b>1.544.187</b>
Non-specialized Loans	33.242.941	1.052.607	3.724.584	1.544.187
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>57.844.827</b>	<b>1.302.740</b>	<b>4.169.852</b>	<b>1.703.818</b>

(\*)The loans and other receivables 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.

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
<b>Consumer Loans-TL</b>	<b>321.300</b>	<b>12.444.716</b>	<b>12.766.016</b>	<b>160.463</b>
Housing Loans	1.694	5.034.151	5.035.845	75.598
Automobile Loans	103	24.558	24.661	228
Personal Need Loans	319.503	7.386.007	7.705.510	84.637
Other	-	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>7.911</b>	<b>7.911</b>	<b>12.019</b>
Housing Loans	-	7.586	7.586	11.443
Automobile Loans	-	-	-	-
Personal Need Loans	-	325	325	576
Other	-	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
<b>Individual Credit Cards-TL</b>	<b>7.288.148</b>	<b>388.325</b>	<b>7.676.473</b>	<b>85.869</b>
Installment	2.669.033	388.325	3.057.358	34.216
Non- Installment	4.619.115	-	4.619.115	51.653
<b>Individual Credit Cards-FC</b>	<b>2.847</b>	<b>-</b>	<b>2.847</b>	<b>23</b>
Installment	-	-	-	-
Non- Installment	2.847	-	2.847	23
<b>Personnel Loans-TL</b>	<b>7.844</b>	<b>42.286</b>	<b>50.130</b>	<b>342</b>
Housing Loans	-	625	625	3
Automobile Loans	-	1	1	-
Personal Need Loans	7.844	41.660	49.504	339
Other	-	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>28.391</b>	<b>-</b>	<b>28.391</b>	<b>45</b>
Installment	11.198	-	11.198	-
Non-Installment	17.193	-	17.193	45
<b>Personnel Credit Cards-FC</b>	<b>57</b>	<b>-</b>	<b>57</b>	<b>-</b>
Installment	-	-	-	-
Non-Installment	57	-	57	-
<b>Overdraft Accounts-TL (Real Persons)</b>	<b>1.125.464</b>	<b>-</b>	<b>1.125.464</b>	<b>85.331</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>8.774.051</b>	<b>12.883.238</b>	<b>21.657.289</b>	<b>344.092</b>

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
<b>Commercial Loans with Installment Facility – TL</b>	<b>599.310</b>	<b>10.271.155</b>	<b>10.870.465</b>	<b>267.901</b>
Real Estate Loans	-	301.635	301.635	3.958
Automobile Loans	4.120	235.061	239.181	4.135
Personal Need Loans	595.190	9.734.459	10.329.649	259.808
Other	-	-	-	-
<b>Commercial Loans with Installment Facility - FC Indexed</b>	<b>15.238</b>	<b>1.271.645</b>	<b>1.286.883</b>	<b>354.679</b>
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	-	-	-	-
<b>Commercial Loans with Installment Facility - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
<b>Corporate Credit Cards –TL</b>	<b>1.602.230</b>	<b>8.229</b>	<b>1.610.459</b>	<b>17.958</b>
Installment	444.800	8.229	453.029	5.052
Non-Installment	1.157.430	-	1.157.430	12.906
<b>Corporate Credit Cards –FC</b>	<b>476</b>	<b>-</b>	<b>476</b>	<b>4</b>
Installment	-	-	-	-
Non-Installment	476	-	476	4
<b>Overdraft Accounts-TL (Legal Entities)</b>	<b>936.262</b>	<b>-</b>	<b>936.262</b>	<b>6.315</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3.153.516</b>	<b>11.551.029</b>	<b>14.704.545</b>	<b>646.857</b>

**f) Loans according to borrowers <sup>(\*)</sup>**

	Current Period	Prior Period
Public	248.823	204.567
Private	61.765.856	56.152.102
<b>Total</b>	<b>62.014.679</b>	<b>56.356.669</b>

(\*) The loans and other receivables 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 <sup>(\*)</sup>**

	Current Period	Prior Period
Domestic Loans	61.732.410	56.069.107
Foreign Loans	282.269	287.562
<b>Total</b>	<b>62.014.679</b>	<b>56.356.669</b>

(\*) The loans and other receivables 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.



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**h) Loans granted to subsidiaries and associates**

There are no loans granted to subsidiaries and associates

**i) Specific provisions for loans**

<b>Specific Provisions</b>	<b>Current Period</b>	<b>Prior Period</b>
Loans and Receivables with Limited Collectability	73.566	94.174
Loans and Receivables with Doubtful Collectability	328.113	376.185
Uncollectible Loans and Receivables	2.850.084	2.591.420
<b>Total</b>	<b>3.251.763</b>	<b>3.061.779</b>

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
(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
<b>Prior Period</b>			
(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 (\*):**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Period End Balance</b>	<b>470.874</b>	<b>752.365</b>	<b>2.591.420</b>
Additions (+)	1.789.659	66.546	140.965
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
<b>Write-offs (-) (*)</b>	<b>15</b>	<b>403</b>	<b>1.198.075</b>
Corporate and Commercial Loans	-	-	221.780
Consumer Loans	15	402	331.745
Credit Cards	-	1	644.550
Others	-	-	-
<b>Current Period End Balance</b>	<b>367.839</b>	<b>656.225</b>	<b>2.850.084</b>
Specific Provision (-)	73.566	328.113	2.850.084
<b>Net Balances on Balance Sheet</b>	<b>294.273</b>	<b>328.112</b>	<b>-</b>

(\*) 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.

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**j.3) Information on foreign currency of 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**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	
	<b>receivables with</b>	<b>receivables with</b>	
	<b>limited</b>	<b>doubtful</b>	
	<b>collectability</b>	<b>collectability</b>	<b>Uncollectible</b>
			<b>loans and</b>
			<b>receivable</b>
<b>Current Period (Net)</b>	<b>294.273</b>	<b>328.112</b>	<b>-</b>
Loans to Real Persons and Legal Entities (Gross)	367.839	656.225	2.823.267
Specific provision (-)	(73.566)	(328.113)	(2.823.267)
Loans to Real Persons and Legal Entities (Net)	294.273	328.112	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	26.817
Specific provision (-)	-	-	(26.817)
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>368.232</b>	<b>375.461</b>	<b>-</b>
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 Parent Bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Parent Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

**l) Explanations on write-off policy**

Unrecoverable non-performing loans in legal follow-up, with no collateral that are deemed as uncollectible are written off by the Board of Directors' decision, in accordance with the laws and regulations.

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**7. Information on factoring receivables**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	669.607	52.491	540.996	26.734
Medium and Long Term	28.872	-	3.996	-
<b>Total</b>	<b>698.479</b>	<b>52.491</b>	<b>544.992</b>	<b>26.734</b>

As of December 31, 2016 and December 31, 2015, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	26.084	13.446
Provided Provision / (reversal), Net	11.854	13.403
Collections	(1.126)	(765)
Written off	(15.987)	-
<b>Current Period End Balance</b>	<b>20.825</b>	<b>26.084</b>

**8. Information on investment securities held-to-maturity**

**a) Information on Subject to repurchase agreements and given as Collateral/blocked Investment securities available for sale**

	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
<b>Total</b>	<b>1.057.660</b>	<b>2.444.638</b>	<b>1.514.146</b>	<b>847.881</b>

**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 Public Sector Debt Securities	-	444.242	-	-
<b>Total</b>	<b>3.383.952</b>	<b>1.915.594</b>	<b>3.009.964</b>	<b>110.652</b>

**c) Information on investment securities held-to-maturity**

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

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**d) Movement of held-to-maturity investments**

	<b>Current Period</b>	<b>Prior Period</b>
Value at the beginning of the period	<b>3.873.914</b>	<b>3.727.223</b>
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
<b>The sum of end of the period</b>	<b>5.900.507</b>	<b>3.873.914</b>

**9. Investments in associates (Net)**

**9.1. Investments in associates**

<b>Description</b>	<b>Address (City/ Country)</b>	<b>Bank's Share-If Different, Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
Bankalararası Kart Merkezi (BKM) (*)	Istanbul/Turkey	9,23%	9,23%

<b>Total Assets</b>	<b>Shareholder's Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
80.262	39.897	50.529	904	-	10.403	3.869	-

**9.2. Movements of investments in associates**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the Beginning of Period</b>	<b>3.766</b>	<b>3.766</b>
<b>Movements During the Period</b>	-	-
Acquisitions	-	-
Bonus Shares Received	-	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
<b>Balance at the End of the Period</b>	<b>3.766</b>	<b>3.766</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of the Period</b>	-	-

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**9.3. Sectoral distribution and the related carrying amounts on associates**

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	3.766	3.766
<b>Total</b>	<b>3.766</b>	<b>3.766</b>

**9.4. Quoted Associates**

None (December 31, 2015 - None).

**9.5. Valuation of investments in associates**

	Current Period	Prior Period
Valued at Cost	3.766	3.766
Valued at Fair Value	-	-
Valued at Equity Method	-	-
<b>Total</b>	<b>3.766</b>	<b>3.766</b>

**9.6. Investments in associates sold during the current period**

None (December 31, 2015 - None).

**10. Investments in subsidiaries (Net)**

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

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

	Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. Ve Tic. A.Ş.	Istanbul/Turkey	%99,91	%99,99
2.	EFİNANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	%51,00	%51,00

(*)	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	46.484	24.071	16.365	-	-	1.437	1.538	-
2.	10.150	3.533	6.049	-	-	(1.602)	(1.248)	-

(\*) Current year information is based on December 31, 2016 financials. Prior year profit and loss amounts are based on December 31, 2015 financials.

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**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. (*)	İstanbul/Turkey	99,80	100
2. Finans Finansal Kiralama A.Ş. (**)	İstanbul/Turkey	99,40	99,40
3. Hemenal Finansman A.Ş. (***)	İstanbul/Turkey	100,00	100,00
4. Finans Portföy Yönetimi A.Ş. (*)	İstanbul/Turkey	0,03	100,00
5. Finans Faktoring A.Ş.	İstanbul/Turkey	99,99	100,00

(\*) It's been decided to purchase nominal price shares which amounting to TL 100.024 and TL 1.000 corresponding to 0,20% and 0,02% paid capital ratios of Finans Yatırım Menkul Değerler A.Ş. and Finans Portföy Yönetimi A.Ş. and owned by QNB by paying total TL 44.330 and TL 523 respectively according to board management decisions taken by Parent Bank on August 11, 2016 and to vest with headquarters for accomplishing this purchase process.

(\*\*) On February 3, 2016 in accordance with the Board of Directors of Bank, it is been decided to acquire 3.434.632 shares NBG 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 Parent 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 A.Ş. has been transferred to the QNB indirectly, the share of QNB in Finans Finansal Kiralama A.Ş. capital exceeds 97%. In accordance with the Communiqué 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 A.Ş. 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.

(\*\*\*) 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 14 December 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 as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (*)
1.	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 Borsa Istanbul (BIST) values as of the balance sheet date.

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**b.2) Movement of investments in subsidiaries**

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

(\*) The Parent Bank has purchased 3.434.632 shares having a total nominal value of TL 34.346 and owned by NBB 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 NBB 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 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.

**b.3) Sectoral distribution of the consolidated subsidiaries**

	<b>Current Period</b>	<b>Prior Period</b>
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
<b>Total</b>	<b>647.572</b>	<b>324.954</b>

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

**b.4) Quoted subsidiaries within the context of consolidation**

	<b>Current Period</b>	<b>Prior Period</b>
Quoted on Domestic Stock Exchanges	478.959	206.691
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>478.959</b>	<b>206.691</b>

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

None.

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**11. Investments in entities under common control**

	<b>Title</b>	<b>Address (City/Country)</b>	<b>Bank's Share-If different, Voting Rights (%)</b>	<b>Bank' Risk Group Share (%)</b>
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	İstanbul/Türkiye	49,00%	49,00%
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	İstanbul/Türkiye	33,33%	33,33%

  

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Asset</b>	<b>Interest Income</b>	<b>Securities Income</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1.	1.021.159	91.032	15.017	-	-	31.097	15.066	-
2.	50.073	28.761	24.912	-	-	7.942	7.495	-

**12. Information on finance lease receivables (Net)**

**12.1. Maturity analysis of financial lease receivables**

	<b>Current Period</b>		<b>Prior Period</b>	
Less than 1 year	1.156.685	958.274	882.384	743.014
Between 1-4 years	1.717.199	1.474.143	1.217.954	1.056.664
Over 4 years	276.577	253.860	150.502	137.274
<b>Total</b>	<b>3.150.461</b>	<b>2.686.277</b>	<b>2.250.840</b>	<b>1.936.952</b>

Finance lease receivables include non-performing finance lease receivables amounting to TL 179.285 (December 31, 2015 – TL 130.767) and specific provisions amounting to TL 114.477 (December 31, 2015 – TL 74.316).

Changes in non-performing finance lease receivables provision as of December 31, 2016 and December 31, 2015, are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
End of prior period	74.316	96.339
Provided provision / (reversal), Net	41.733	23.963
Collections	(1.572)	(1.463)
Written off	-	(44.523)
<b>Provision at the end of the period</b>	<b>114.477</b>	<b>74.316</b>

**12.2. Information on net investment on leases**

	<b>Current Period</b>	<b>Prior Period</b>
Gross Finance Lease Investments	3.150.461	2.250.840
Unearned Finance Income (-)	(464.184)	(313.888)
Cancelled Leasing Agreements (-)	-	-
<b>Net Investment on Leases</b>	<b>2.686.277</b>	<b>1.936.952</b>

**12.3. Information of finance lease contracts of the Parent Bank**

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



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**13. 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
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>3.409.777</b>	<b>33.561</b>	<b>3.219.905</b>	<b>19.104</b>

(\*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2016, TL 14.060 (December 31, 2015 - TL 3.991) from securities, 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.

**14. Explanations on tangible assets**

	Land and Buildings	Fixed Assets under Finance Lease	Vehicles	Other Fixed Assets	Total
<b>Prior Period End</b>					
Cost	1.189.380	264.125	1.418	1.169.502	2.624.425
Accumulated Depreciation(-)	26.599	240.054	1.302	774.961	1.042.916
<b>Net Book Value</b>	<b>1.162.781</b>	<b>24.071</b>	<b>116</b>	<b>394.541</b>	<b>1.581.509</b>
<b>Current Period End</b>					
<b>Cost at the Beginning of the Period</b>	<b>1.189.380</b>	<b>264.125</b>	<b>1.418</b>	<b>1.169.502</b>	<b>2.624.425</b>
Additions (*)	-	-	-	-	-
Transfer(-)	245.967	64	699	151.373	398.103
Disposals (-)	111	3	163	21.109	21.386
Impairment (-)/ (increase)	(29)	-	-	-	(29)
<b>Current Period Cost</b>	<b>1.435.265</b>	<b>264.186</b>	<b>1.954</b>	<b>1.299.766</b>	<b>3.001.171</b>
<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>26.599</b>	<b>240.054</b>	<b>1.302</b>	<b>774.961</b>	<b>1.042.916</b>
Disposals (-)	-	-	-	-	-
Transfer (-)	222	1	163	20.337	20.723
Depreciation amount	11.394	3.052	327	125.897	140.670
<b>Accumulated Depreciation at the End of the Period (-)</b>	<b>37.771</b>	<b>243.105</b>	<b>1.466</b>	<b>880.521</b>	<b>1.162.863</b>
<b>Net Book Value at the End of the Period</b>	<b>1.397.494</b>	<b>21.081</b>	<b>488</b>	<b>419.245</b>	<b>1.838.308</b>

(\*)As mentioned in Section 5 footnote 3.1.d, the fair value currency difference income of 239.377 TL (the amortized) that belongs to the real estate, subject to the accounting of protection from the fair value risk by the Bank, is shown in the "Entries" line of the Financial Fixed Assets movement table.

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

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

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss of TL 29 has been booked. (December 31, 2015 - TL 29 impairment loss has been booked).

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

None (December 31, 2015- None)

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- 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).

**15. Explanations on Intangible Assets**

	<b>Rights</b>	<b>Goodwill</b>	<b>Total</b>
<b>Prior Period End</b>			
Cost	716.350	-	716.350
Accumulated Amortization(-)	446.310	-	446.310
<b>Net Book Value</b>	<b>270.040</b>	<b>-</b>	<b>270.040</b>
<b>Current Period End</b>			
<b>Cost at the Beginning of the Period</b>	<b>716.350</b>	<b>-</b>	<b>716.350</b>
Costs related to acquisition of subsidiary	-	-	-
Additions	127.071	-	127.071
Disposals (-)	368	-	368
Value Decrease (-)/ (increase)	-	-	-
<b>Current Period Cost</b>	<b>843.053</b>	<b>-</b>	<b>843.053</b>
<b>Acc. Amort. At the Beginning of the Period</b>	<b>446.310</b>	<b>-</b>	<b>446.310</b>
Accrued amortization related to acquisition of subsidiary	-	-	-
Disposals(-)	1	-	1
Amortization charge	108.526	-	108.526
<b>Current Period Accumulated Amortization(-)</b>	<b>554.835</b>	<b>-</b>	<b>554.835</b>
<b>Net Book Value-End of the Period</b>	<b>288.218</b>	<b>-</b>	<b>288.218</b>

- 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 (31 December 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 5.740).
- h) **Positive or negative consolidation goodwill on entity basis:**  
None (December 31, 2015 – None).

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- i) **Information on book value of goodwill at the beginning of the period, end of the period and movement for the period:**

The details have been disclosed at explanations and disclosures related to asset section, at disclosure 15.

**16. Explanations on investment property**

None (December 31, 2015- None).

**17. Information on tax asset**

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements.

Deferred tax asset is TL 66.967 (December 31, 2015 – TL 100.943) and there is no deferred tax liability (December 31, 2015- None) after deferred tax asset and liability balances in the financial statements of the consolidated subsidiaries are netted off separately.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 105.701 are netted under equity. (December 31, 2015 – TL 53.256 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Provision for Employee Rights	295.428	250.505	59.086	50.101
Difference Between the Book Value of Financial Assets and Tax Base	503.152	433.187	100.630	86.637
Other	798.914	356.428	159.783	71.286
<b>Deferred Tax Assets</b>			<b>319.499</b>	<b>208.024</b>
Difference Between the Book Value Financial Fixed Assets and Tax Base				
Difference Between the Book Value of Financial Assets and Tax Base	(205.128)	(194.138)	(41.026)	(38.828)
Other	(799.389)	(85.255)	(159.878)	(17.051)
<b>Deferred Tax Liabilities</b>	<b>(258.139)</b>	<b>(256.008)</b>	<b>(51.628)</b>	<b>(51.202)</b>
<b>Deferred Tax Assets/(Liabilities), Net</b>			<b>(252.532)</b>	<b>(107.081)</b>
			<b>66.967</b>	<b>100.943</b>

	Current Period	Prior Period
	01.01-31.12.2016	01.01-31.12.2015
Deferred Tax as of January 1 Asset/ (Liability)- Net	100.943	60.691
Deferred Tax (Loss) / Gain	(86.421)	21.540
Deferred Tax that is Realized Under Shareholder's Equity	52.445	18.712
<b>December 31 Deferred Tax Asset/ (Liability) - Net</b>	<b>66.967</b>	<b>100.943</b>

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**18. Information on assets held for sale and discontinued operations**

As of December 31, 2016, the Bank's assets held for sale is nil (December 31, 2015: None).

**19. Information on other assets:**

**19.1. Information on prepaid expense, tax and similar items**

	Current Period	Prior Period
Other Prepaid Expenses	468.158	355.425
Collateral Given for Derivative Transactions	401.899	120.904
Assets Held for Resale (net)	367.420	220.249
Cheques Receivables from Other Banks	212.792	271.452
Miscellaneous Receivables	105.524	76.491
Prepaid rent expenses	34.200	38.970
Prepaid Agency Commissions	3.083	14.330
Advances Given	2.749	4.380
Other	57.129	108.651
<b>Total</b>	<b>1.652.954</b>	<b>1.210.852</b>

**19.2 If other assets exceed 10% of total assets, excluding off balance sheet commitments, the names and the balances of these accounts, the name and the amount of the subaccounts which create at least 20% of them are:**

Details of the other assets are described in note 19.1 section of disclosure.

**20. 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	3.409.777	33.561	3.219.905	19.104
Assets on Trading Derivatives	2.574.900	199.011	1.988.998	248.382
Loans	708.533	215.444	933.534	131.096
Investment securities held to maturity	68.347	28.291	73.776	10.784
Lease Receivables	10.001	6.762	7.115	8.652
Central Bank	14.264	13	8.497	-
Trading Securities	583	(387)	1.147	18
Banks	1.663	4	37	-
Investment Securities Available for Sale	(23.660)	(181.297)	43.025	52.031
Other Accruals	19.207	1.057	17.759	1.521
<b>Total</b>	<b>6.783.615</b>	<b>302.459</b>	<b>6.293.793</b>	<b>471.588</b>

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**SECTION FIVE**

**II. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES**

**1. Information on maturity structure of deposits:**

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
<b>Saving Deposits</b>	2.518.720	-	2.909.327	14.654.307	459.007	277.111	783.479	2.809	21.604.760
<b>Foreign Currency Deposits</b>	3.750.627	-	1.638.432	12.809.320	833.244	398.458	493.925	318	19.924.324
Residents in Turkey	3.661.310	-	1.619.555	12.519.859	801.770	377.844	443.721	290	19.424.349
Residents Abroad	89.317	-	18.877	289.461	31.474	20.614	50.204	28	499.975
<b>Public Sector Deposits</b>	76.394	-	6.906	42.448	551	6.229	167	-	132.695
<b>Commercial Deposits</b>	2.124.465	-	1.938.824	3.802.561	67.461	295.276	120.558	-	8.349.145
<b>Other Ins. Deposits</b>	34.809	-	153.418	496.379	15.849	385.758	16.699	-	1.102.912
<b>Precious Metal Deposits</b>	717.286	-	-	1.324	1.669	1.444	56.705	-	778.428
<b>Bank Deposits</b>	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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9.358.456</b>	<b>-</b>	<b>6.846.989</b>	<b>33.324.191</b>	<b>1.444.492</b>	<b>1.414.317</b>	<b>1.473.677</b>	<b>3.127</b>	<b>53.865.249</b>

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
<b>Saving Deposits</b>	1.836.314	-	2.453.079	13.626.243	628.259	260.686	880.499	3.002	19.688.082
<b>Foreign Currency Deposits</b>	3.308.178	-	1.962.058	11.091.252	866.874	169.550	436.221	3.306	17.837.439
Residents in Turkey	3.250.191	-	1.939.519	10.758.820	839.704	159.101	395.311	3.306	17.345.952
Residents Abroad	57.987	-	22.539	332.432	27.170	10.449	40.910	-	491.487
<b>Public Sector Deposits</b>	236.348	-	509	137.003	408	387	76	-	374.731
<b>Commercial Deposits</b>	1.729.189	-	1.624.291	3.542.286	345.933	115.456	178.330	-	7.535.485
<b>Other Ins. Deposits</b>	35.463	-	104.997	662.999	10.997	5.763	67.858	-	888.077
<b>Precious Metal Deposits</b>	376.794	-	-	4.325	101	-	49.473	-	430.693
<b>Bank Deposits</b>	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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>7.548.323</b>	<b>-</b>	<b>6.278.794</b>	<b>30.258.780</b>	<b>2.042.047</b>	<b>564.086</b>	<b>1.612.939</b>	<b>6.308</b>	<b>48.311.277</b>

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

	Covered by Deposit Insurance Fund		Exceeding the 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	-	-	-	-
<b>Total</b>	<b>14.230.393</b>	<b>12.907.991</b>	<b>22.161.611</b>	<b>18.290.643</b>

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	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 family members	41.646	61.131
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
<b>Total</b>	<b>92.684</b>	<b>66.838</b>

**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	2.187.607	163.987	1.829.702	153.242
Futures	-	334	-	273
Options	168	50.376	-	120.040
Other	-	-	-	-
<b>Total</b>	<b>2.387.019</b>	<b>214.697</b>	<b>1.882.909</b>	<b>273.555</b>

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**3. Information on funds borrowed:**

**a) Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	435.660	648.879	377.357	591.563
Foreign Banks, Institutions and Funds	109.792	9.969.214	124.573	4.972.564
<b>Total</b>	<b>545.452</b>	<b>10.618.093</b>	<b>501.930</b>	<b>5.564.127</b>

**b) Maturity information on funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	373.918	3.591.389	406.735	1.967.604
Medium and Long-Term	171.534	7.026.704	95.195	3.596.523
<b>Total</b>	<b>545.452</b>	<b>10.618.093</b>	<b>501.930</b>	<b>5.564.127</b>

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 Group's liabilities**

As of December 31, 2016, the Group's liabilities comprise; 52% deposits (December 31, 2015 – 55%), 11% funds borrowed (December 31, 2015 – 7%), 6% issued bonds (December 31, 2015 – 7%) and 5% funds provided under repurchase agreements (December 31, 2015 – 5%).

**4. Information on funds provided under repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From domestic transactions</b>	<b>1.493.621</b>	-	<b>2.801.758</b>	-
Financial institutions and organizations	1.465.707	-	2.760.367	-
Other institutions and organizations	10.315	-	10.130	-
Real persons	17.599	-	31.261	-
<b>From foreign transactions</b>	<b>8.413</b>	<b>3.519.709</b>	<b>2.410</b>	<b>1.857.920</b>
Financial institutions and organizations	-	3.519.709	-	1.857.920
Other institutions and organizations	8.413	-	2.241	-
Real persons	-	-	169	-
<b>Total</b>	<b>1.502.034</b>	<b>3.519.709</b>	<b>2.804.168</b>	<b>1.857.920</b>

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**5. Information on securities issued (Net)**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1.749.202	53.683	770.076	-
Bills	112.064	4.416.628	71.075	4.985.836
<b>Total</b>	<b>1.861.266</b>	<b>4.470.311</b>	<b>841.151</b>	<b>4.985.836</b>

The Parent 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 exceed 20% of the individual liability item in the consolidated balance sheet**

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2015 – Does not exceed 10%).

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

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

**7.1. 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**

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

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

**8. Information on liabilities arising from hedging purpose derivatives**

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

<sup>(\*)</sup> 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 the securities. As of December 31, 2016, fair value of derivatives which are hedging instruments of hedged borrowings is none (December 31, 2015 – TL 905).

<sup>(\*\*)</sup> Represents the fair value of derivatives which are the hedging instruments of deposits’ cash flow risk.



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**9. Information on provisions**

**9.1. Information on general provisions**

	<b>Current Period</b>	<b>Prior Period</b>
Provisions for Loans and Receivables in Group I	967.669	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
<b>Total</b>	<b>1.288.412</b>	<b>1.190.403</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
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 Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2016, TL 144.405 (December 31, 2015 - TL 130.051) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2016, the Group accrued TL 42.565 (December 31, 2015 - TL 36.821) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2016, TL 108.458 (December 31, 2015 - TL 83.633) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

**9.4.1 Movement of employee termination benefits**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>01.01-31.12.2016</b>	<b>01.01-31.12.2015</b>
As of January 1	130.051	120.546
Service cost	18.910	18.854
Interest Cost	13.906	9.765
Settlement / curtailment / termination loss	11.571	8.756
Actuarial Difference	(2.525)	(5.110)
Paid during the period	(27.508)	(22.760)
<b>Total</b>	<b>144.405</b>	<b>130.051</b>

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**9.5. Information on other provisions**

**9.5.1. Information on provisions for possible risks**

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

	<b>Current Period</b>	<b>Prior Period</b>
Provision for Closely Monitored Loans	39.901	106.241
Provision for Promotion Expenses of Credit Cards	7.707	6.458
General Reserves for Possible Risks	-	100.000
Other Provisions	122.063	87.298
<b>Total</b>	<b>169.671</b>	<b>299.997</b>

As at December 31, 2016, the Parent Bank has made a provision for watch list loans amounting to TL 39.901 (December 2015 – 106.241) based on collection rates for subject loans.

**10. Taxation**

**10.1. Current taxes**

**10.1.1. Current tax liability**

As of December 31, 2016, the Group has current tax liability of TL 208.292 (December 31, 2015 - TL 223.245) and advance taxes of TL 10.194 TL (December 31, 2015 - TL 165.664).

The current tax liability and the advance taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of December 31, 2016, after the offsetting, the current tax liability amounting to TL 198.098 (December 31, 2015 – TL 57.581) is disclosed with current tax receivable TL 4.737 (December 31– 6.846 TL)

**10.1.2. Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	198.098	57.581
Taxation on Securities Income	42.253	48.440
Taxation on Real Estates Income	2.013	2.008
Banking and Insurance Transaction Tax (BITT)	52.974	50.131
VAT Payable	167	334
Other	28.119	23.552
<b>Total</b>	<b>323.624</b>	<b>182.046</b>

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

**10.1.3 Information on premiums**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee Share	16.523	7.806
Social Security Premiums - Employer Share	17.711	8.525
Pension Fund Fee and Provisions – Employee Share	13	5
Pension Fund Fee and Provisions – Employer Share	42	15
Unemployment Insurance - Employee Share	1.164	551
Unemployment Insurance - Employer Share	2.320	1.100
Other	21	13
<b>Total</b>	<b>37.794</b>	<b>18.015</b>

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**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	-	-	-	-
<b>Total</b>	-	<b>3.235.793</b>	-	<b>2.662.119</b>

The Parent 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 was paid back in 2010 to be used in capital increase. In addition, the Parent Bank received USD 260 million of subordinated loans 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	Profit Reserves held		Capital Reserves held	
		Cash	subject to the Increase	subject to the Increase	
October 27, 2016	150.000	-	150.000	-	-

**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 period, the general purpose of these commitments and projected resources required to meet these commitments**

The Group does not have any capital commitments, all of the capital is fully paid-in.

**13.6. Prior periods' indicators related with the Parent Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Parent Bank's equity**

None (December 31, 2015 - None).

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**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 <sup>(*)</sup>	714	714
Common Stock Withdrawal Profits	-	-

<sup>(\*)</sup> Due to the Parent Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL 714.

**15. Marketable securities value increase fund**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Associates, Subsidiaries and Entities under Common Control</b>				
Valuation Differences	-	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
<b>Securities Available-for-Sale</b>	<b>(40.675)</b>	<b>(379.478)</b>	<b>(65.962)</b>	<b>(178.297)</b>
Valuation Differences	(40.675)	(379.478)	(65.962)	(178.297)
Foreign Exchange Rate Differences	-	-	-	-
<b>Total</b>	<b>(40.675)</b>	<b>(379.478)</b>	<b>(65.962)</b>	<b>(178.297)</b>

**16. Accrued interest and expenses**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Deposits	207.471	29.298	206.708	21.995
Derivative Financial Liabilities Held for Trading	2.387.019	214.697	1.882.909	273.555
Funds Borrowed	5.337	80.606	16.943	49.026
Money Market Borrowings	1.293	8.699	2.349	4.811
Derivative Financial Liabilities Held for Hedging	196.239	230.489	60.229	223.215
Issued Securities	2.064	40.054	1.075	44.863
Other Accruals	94.879	125	44.824	78
<b>Total</b>	<b>2.894.302</b>	<b>603.968</b>	<b>2.215.037</b>	<b>617.543</b>

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**SECTION FIVE**

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

**1. Information related to consolidated 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
<b>Total</b>	<b>41.325.617</b>	<b>34.593.346</b>

**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 not liquidated yet. Tax and Fund Liabilities due to Export Commitments.

**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	-	-
<b>Total</b>	<b>2.377.295</b>	<b>1.446.881</b>

**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
<b>Total</b>	<b>10.806.715</b>	<b>9.028.945</b>

**2. Total amount of non-cash loans**

	Current Period	Prior Period
<b>Non-Cash Loans granted for Obtaining Cash Loans</b>	<b>1.116.069</b>	<b>771.408</b>
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
<b>Other Non-Cash Loans</b>	<b>12.067.941</b>	<b>9.704.418</b>
<b>Total</b>	<b>13.184.010</b>	<b>10.475.826</b>

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>34.061</b>	<b>0,47</b>	<b>6.774</b>	<b>0,11</b>	<b>28.986</b>	<b>0,48</b>	<b>6.200</b>	<b>0,14</b>
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	-
<b>Manufacturing</b>	<b>1.047.136</b>	<b>14,60</b>	<b>2.993.067</b>	<b>49,78</b>	<b>1.083.869</b>	<b>18,04</b>	<b>2.298.573</b>	<b>51,46</b>
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
<b>Construction</b>	<b>2.243.853</b>	<b>31,29</b>	<b>807.527</b>	<b>13,43</b>	<b>1.536.308</b>	<b>25,56</b>	<b>767.217</b>	<b>17,18</b>
<b>Services</b>	<b>3.748.165</b>	<b>52,27</b>	<b>2.155.411</b>	<b>35,85</b>	<b>3.268.772</b>	<b>54,39</b>	<b>1.371.772</b>	<b>30,71</b>
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 Services	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
<b>Other</b>	<b>97.791</b>	<b>1,36</b>	<b>50.225</b>	<b>0,84</b>	<b>91.507</b>	<b>1,52</b>	<b>22.622</b>	<b>0,51</b>
<b>Total</b>	<b>7.171.006</b>	<b>100,00</b>	<b>6.013.004</b>	<b>100,00</b>	<b>6.009.442</b>	<b>100,00</b>	<b>4.466.384</b>	<b>100,00</b>

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

	I. Group		II. Group	
Current Period <sup>(*)</sup>	TL	FC	TL	FC
Letters of Guarantee	6.939.103	3.529.492	187.530	109.349
Bill 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	-	-	-	-
<b>Non-cash Loans</b>	<b>6.951.524</b>	<b>5.893.408</b>	<b>187.530</b>	<b>110.307</b>

(\*) 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.

	I. Group		II. Group	
Prior Period <sup>(*)</sup>	TL	FC	TL	FC
Letters of Guarantee	5.950.440	3.038.895	2.874	-
Bill 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	-	-	-	-
<b>Non-cash Loans</b>	<b>5.978.527</b>	<b>4.457.398</b>	<b>2.874</b>	<b>291</b>

(\*) 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.

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**5. Information related to derivative financial instruments**

	Current Period	Prior Period
<b>Types of trading transactions</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>99.583.814</b>	<b>105.822.669</b>
Forward transactions (*)	11.595.988	9.330.881
Swap transactions	78.323.566	82.827.776
Futures transactions	74.460	32.720
Option transactions	9.589.800	13.631.292
<b>Interest Related Derivative Transactions (II)</b>	<b>16.261.062</b>	<b>11.990.098</b>
Forward rate transactions	-	-
Interest rate swap transactions	16.261.062	11.454.624
Interest option transactions	-	-
Futures interest transactions	-	535.474
Security option transactions	-	-
<b>Other trading derivative transactions (III)</b>	<b>882.950</b>	<b>712.362</b>
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>116.727.826</b>	<b>118.525.129</b>
<b>Types of hedging transactions</b>		
Fair value hedges	15.094.984	17.764.451
Cash flow hedges	22.704.240	18.870.159
Net investment hedges	-	-
<b>B. Total Hedging Related Derivatives</b>	<b>37.799.224</b>	<b>36.634.610</b>
<b>Total Derivative Transactions (A+B)</b>	<b>154.527.050</b>	<b>155.159.739</b>

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

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	Futures Buy	Futures Sell	Other
<b>Current Period</b>									
TL	2.830.861	1.642.795	21.550.376	30.799.731	2.355.495	2.147.106	-	-	-
USD	2.198.997	3.183.658	40.411.454	28.957.009	1.975.445	2.432.743	37.230	37.230	882.950
Euro	701.863	952.940	4.959.399	4.474.214	372.903	202.619	-	-	-
Other	27.872	57.002	1.187.504	44.165	53.919	49.570	-	-	-
<b>Total</b>	<b>5.759.593</b>	<b>5.836.395</b>	<b>68.108.733</b>	<b>64.275.119</b>	<b>4.757.762</b>	<b>4.832.038</b>	<b>37.230</b>	<b>37.230</b>	<b>882.950</b>

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

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

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
<b>Prior Period</b>									
TL	2.708.325	1.455.137	20.079.557	30.812.688	2.727.400	2.459.930	347	347	-
USD	1.098.411	2.750.074	41.217.474	28.854.994	2.587.585	2.852.748	283.750	283.750	712.362
Euro	797.778	386.959	5.512.546	3.263.619	1.500.712	1.501.634	-	-	-
Other	64.075	70.122	289.895	886.237	292	991	-	-	-
<b>Total</b>	<b>4.668.589</b>	<b>4.662.292</b>	<b>67.099.472</b>	<b>63.817.538</b>	<b>6.815.989</b>	<b>6.815.303</b>	<b>284.097</b>	<b>284.097</b>	<b>712.362</b>

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

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

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**5.1 Fair value hedge accounting**

**a) Loans**

The Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to 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). December 31, 2016 the net market valuation difference gain amounting to TL 23.721 due to the gain from the loans amounting to TL 103.915 (December 31, 2015 – TL 155.209 loss) and loss 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) gain 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 Parent Bank has booked the valuation effect amounting to TL 7.429 (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 Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As at 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 gain amounting to TL 2.441 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 – TL 22.647 loss) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period. December 31, 2015 – None. )

**c) Bonds issued**

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of 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 15.506 net fair valuation difference gain, net of TL 7.525 (December 31, 2015 – TL 7.225 gain) gain from issued bonds and TL 7.981 (December 31, 2015 – TL 6.986 loss) loss from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.



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**d) Tangible Assets**

The Parent 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 Parent 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 expense in current period from aforementioned immovable. The aforementioned exchange difference loss 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, (December 31, 2015 – TL 900 gain) and TL 2.182 gain (December 31, 2015 – TL 933 losses) from swaps is recognized under “Gain/loss from Derivative Financial Transactions.”

**5.2 Cash flow hedge accounting**

**a) Deposit**

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 1 month, the Parent Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 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 loss before taxes amounting to TL 51.278 are accounted for under equity during the current period (December 31, 2015 – TL 68.398 gain). The amounts for the ineffective portion of expenditures in the amount of TL 2 gain is associated with the income statement (December 31, 2015 – TL 6.970 gain)

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 gain before taxes amounting to TL 6.746 are accounted under equity during the current period (December 31, 2015 – TL 73.534 gain). The loss amounting to TL 636 (December 31, 2015 – TL 589 loss) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is income 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.

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**6. Credit derivatives and risk exposures on credit derivatives**

As of December 31, 2016, the Parent 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 the Parent Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, the Parent 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 Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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

<b>MOODY’S September 2016</b>		<b>FITCH August 2016</b>		<b>CI August 2016</b>	
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-		

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**SECTION FIVE**

**IV. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED INCOME STATEMENT**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.458.346	42.704	3.107.011	48.183
Medium and Long-Term Loans	3.620.268	506.811	3.023.888	381.145
Non-Performing Loans	94.501	-	123.260	-
Resource Utilization Support Fund				
Premiums	-	-	-	-
<b>Total</b>	<b>7.173.115</b>	<b>549.515</b>	<b>6.254.159</b>	<b>429.328</b>

**b) Information on interest income from banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	756	-	1
Domestic Banks	2.484	29	1.161	11
Foreign Banks	2.922	5.238	362	2.199
Foreign Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>5.406</b>	<b>6.023</b>	<b>1.523</b>	<b>2.211</b>

(\*) The interest income on Required Reserve amounting TL 52.930 is not included in interest income on Banks. (December 31, 2015: 22.770).

**c) Information on interest income from securities portfolio**

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	4.442	-	3.660	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
<b>Total</b>	<b>650.157</b>	<b>193.525</b>	<b>601.058</b>	<b>149.554</b>

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 estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of the related assets was updated according to the annual inflation rate of 7,16% as of 31 December 2016.

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

None (December 31, 2015 – None)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>52.274</b>	<b>371.460</b>	<b>71.425</b>	<b>267.549</b>
T.R. Central Bank	-	-	-	-
Domestic Banks	29.961	18.782	39.014	17.135
Foreign Banks	22.313	352.678	32.411	250.414
Foreign Headquarters and Branches	-	-	-	-
<b>Other Institutions</b>	-	-	-	-
<b>Total</b>	<b>52.274</b>	<b>371.460</b>	<b>71.425</b>	<b>267.549</b>

**b) Information on interest expense paid to associates and subsidiaries:**

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	915	12.487

**c) Information on interest expense paid to securities issued**

As of December 31, 2016 the interest amount paid to securities issued is TL 341.639 (December 31, 2015 – TL 373.804)

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

Current Period	Time Deposits						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	-	18.523	6.312	237	427	-	-	25.499
Saving Deposits	-	224.697	1.586.095	66.009	33.551	92.527	-	2.002.879
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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>429.292</b>	<b>2.123.979</b>	<b>153.613</b>	<b>99.628</b>	<b>113.845</b>	<b>-</b>	<b>2.920.358</b>
<b>Foreign Currency</b>								
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
<b>Total</b>	<b>98</b>	<b>45.652</b>	<b>282.959</b>	<b>20.105</b>	<b>5.452</b>	<b>9.424</b>	<b>-</b>	<b>363.690</b>
<b>Grand Total</b>	<b>99</b>	<b>474.944</b>	<b>2.406.938</b>	<b>173.718</b>	<b>105.080</b>	<b>123.269</b>	<b>-</b>	<b>3.284.048</b>

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Prior Period	Time Deposits						Accumulated Deposit Account	Total
Account Name	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	-	166.148	400.396	33.269	11.597	15.229	-	626.639
Other Deposits	-	6.286	125.806	2.950	32.170	20.652	-	187.864
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	386.617	1.859.209	80.700	66.213	145.108	-	2.537.847
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	431.126	2.073.577	89.185	69.529	155.667	-	2.819.109

e) **Information on interest expenses on repurchase agreements**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements (*)	181.893	31.493	192.482	15.266

(\*) Disclosed in "Interest on Money Market Transactions".

f) **Information on finance lease expenses**

None (December 31, 2015 – None).

g) **Information on interest expenses on factoring payables**

None (December 31, 2015 – None).

3. **Information on dividend income**

	Current Period	Prior Period
Financial Assets Held for Trading	113	58
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Available for Sale	-	-
Other	57	-
<b>Total</b>	<b>170</b>	<b>58</b>

4. **Information on trading income/loss**

	Current Period	Prior Period
<b>Trading Gain</b>	<b>8.194.701</b>	<b>20.210.828</b>
Gains on Capital Market Operations	42.851	84.336
Derivative Financial Instruments	4.062.259	4.531.803
Foreign Exchange Gains	4.089.591	15.594.689
<b>Trading Loss (-)</b>	<b>8.856.234</b>	<b>20.938.149</b>
Losses on Capital Market Operations	25.730	57.211
Derivative Financial Instruments	4.775.554	5.209.294
Foreign Exchange Losses	4.054.950	15.671.644
<b>Net Trading Income/Loss</b>	<b>(661.533)</b>	<b>(727.321)</b>

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**5. Information on other operating income**

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in “Other Operating Income” account. In addition, amounting to TL151.532 gain reflected in the consolidated financial statements of the Parent’s Bank from the transfer of Visa Inc shares to the Visa Europe Ltd. shares that the Parent’s Bank owns.

**6. Provision for losses on loans and other receivables**

	Current Period	Prior Period
<b>Specific Provisions For Loans and Other Receivables</b>	<b>1.452.743</b>	<b>909.013</b>
Loans and Receivables in Group III	267.568	224.974
Loans and Receivables in Group IV	295.346	198.757
Loans and Receivables in Group V	889.829	485.282
<b>Provision for Free Reserves on Possible Losses</b>	<b>(66.340)</b>	<b>(93)</b>
<b>General provisions</b>	<b>98.009</b>	<b>247.742</b>
<b>General reserves for possible risks</b>	<b>(100.000)</b>	<b>18.000</b>
<b>Impairment Losses on Securities</b>	-	-
Financial assets at fair value through profit or loss	-	-
Investment Securities available for sale	-	-
<b>Impairment Losses on Associates, Subsidiaries and Investment Securities Held-to-Maturity</b>	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
<b>Other</b>	<b>6.011</b>	<b>32.782</b>
<b>Total</b>	<b>1.390.423</b>	<b>1.207.444</b>

**7. Information on other operating expenses**

	Current Period	Prior Period
Personnel costs	1.218.027	1.116.533
Reserve for employee termination benefits	16.880	14.615
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	140.670	118.887
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	108.526	93.705
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	968.028	914.325
Operational lease related expenses	224.233	228.034
Repair and maintenance expenses	127.133	95.692
Advertisement expenses	81.290	67.954
Other expenses	535.372	522.645
Losses on sales of assets	2.726	6.499
Other	477.058	605.826
<b>Total</b>	<b>2.938.079</b>	<b>2.874.440</b>

(\*) 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.

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

For the period ended December 31, 2016, net interest income of TL 4.678.620 (December 31, 2015 – TL 4.082.755), net fees and commission income of TL 1.444.877 (December 31, 2015 – TL 1.387.238) and other operating income of TL 411.137 (December 31, 2015 – TL 272.748) constitute an important part of the period 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 Group recorded current tax charge of TL 208.293 (December 31, 2015 - TL 225.182 current tax expense) and a deferred tax charge of TL 86.421 (December 31, 2015 – TL 21.539 deferred tax gain).

	Current Period	Prior Period
Current Tax Provision	(208.293)	(225.182)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	(86.421)	21.540
<b>Total</b>	<b>(294.714)</b>	<b>(203.642)</b>

**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 Group from continued operations is TL 1.238.300 (December 31, 2015 – TL 680.414).

**11. Explanations on net income/loss for the period**

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

None (December 31, 2015 – None).

**11.2. There is no material effect of changes in accounting estimates by the Group on income statement for the current and, for subsequent periods.**

None.

**11.3. Profit or loss attributable to minority shares**

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	1.895	16.064

**11.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.**

**12. Information on the 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 Parent Bank.

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**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 dividends**

**3.1 Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements**

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2015 profit as stated below at the Ordinary General Assembly held on March 24, 2016

**2015 profit distribution table:**

<b>Current Year Profit</b>	<b>705.772</b>
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)

(\*) Has been distributed as Bonus Shares

**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**

	<b>Current Period</b>	<b>Prior Period</b>
Amount Transferred to Reserved from Retained	35.443	50.089

**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**

Capital increase amounting to in order of TL 150.000 and TL 165.000 presented in the Statement of Changes in Shareholder's Equity in 2016 and 2015 is entirely provided from extraordinary reserves.



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**VI. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED CASH FLOWS STATEMENT**

**1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents**

“Other items” amounting to TL 7.860.450 (December 31, 2015- TL 2.416.821) in “Operating profit before changes in operating assets and liabilities” consist of commissions paid amounting to TL 255.422 (December 31, 2015 – TL 255.744), net trading income/loss amounting to TL 4.847.831 (December 31, 2015 – TL 1.769.130 net trading income/loss) and other operating expenses amounting to TL 2.757.197 (December 31, 2015 – TL 391.947).

“Other items” in changes in operating assets amounting to TL 1.297.610 (December 31, 2015 – TL 606.699) consist of the decrease in collaterals given amounting to TL 280.995 (December 31, 2015 - TL 26.958 decrease), the increase in lease receivables amounting to TL 763.477 (December 31, 2015 – TL 430.298 increase), the increase in factoring receivables amounting to TL 179.244 (December 31, 2015 – TL 128.514 increase) and the increase in other assets amounting to TL 635.884 (December 31, 2015 - TL 74.845 decrease).

“Other items” in changes in operating liabilities amounting to TL 2.778.447 (December 31, 2015 - TL 2.482.923) consist of the increase in money market borrowings by TL 1.807.740 (December 31, 2015 - TL 589.958 increase) and the increase in sundry debtors and other liabilities by TL 970.707 (December 31, 2015 - TL 1.892.965 increase).

“Other items” in changes in net cash provided from banking operations amounting to TL 126.705 (December 31, 2015 – TL 127.697) includes the increase in intangible assets by TL 108.526 (December 31, 2015 – TL 34.746).

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 64.523 (December 31, 2015 – TL 24.827) as of December 31, 2016.

**2. Information regarding the balances of cash and cash equivalents at the beginning of the period**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>January 1, 2016</b>	<b>January 1, 2015</b>
<b>Cash</b>	<b>955.907</b>	<b>839.524</b>
Cash in TL	678.547	590.505
Cash in Foreign Currencies	274.822	248.656
Other	2.538	363
<b>Cash Equivalents</b>	<b>2.775.629</b>	<b>2.129.654</b>
Balances with the T.R. Central Bank	2.418.116	1.601.665
Banks and Other Financial Institutions	278.336	294.961
Money Market Placements	87.711	244.425
Less: Placements with Banks with Maturities Longer than 3 Months	-	(10.369)
Less: Accruals	(8.534)	(1.028)
<b>Cash and Cash Equivalents</b>	<b>3.731.536</b>	<b>2.969.178</b>

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**3. Information regarding the balances of cash and cash equivalents at the end of the period**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Cash</b>	<b>1.064.055</b>	<b>955.907</b>
Cash in TL	685.252	678.547
Cash in Foreign Currencies	376.428	274.822
Other	2.375	2.538
<b>Cash Equivalents</b>	<b>4.845.889</b>	<b>2.775.629</b>
Balances with the T.R. Central Bank	2.941.850	2.418.116
Banks and Other Financial Institutions	264.548	278.336
Money Market Placements	1.667.618	87.711
Less: Placements with Banks with Maturities Longer than 3 Months	(12.182)	-
Less: Accruals	(15.945)	(8.534)
<b>Cash and Cash Equivalents</b>	<b>5.909.944</b>	<b>3.731.536</b>

**4. Restricted cash and cash equivalents due to legal requirements or other reasons**

A portion of foreign bank accounts amounting to TL 48.643 (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 Parent Bank's potential borrowings that can be used for ordinary operations or capital commitment**

None.

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

**VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP**

**1. Information on the volume of transactions with the Parent 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 Parent Bank's risk group has deposits amounting to TL 195.418 (December 31, 2015 – TL 270.250), non cash loans amounting to TL 1.252 (December 31, 2015 – TL 33.930).

**Current Period**

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	-	11.315	-	21.651	-	964
Balance at the End of the Period	-	5.896	-	-	1.252	1.586
Interest and Commission Income	-	152	-	3	23	19

**Prior Period**

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	-	-	1.715	34.288	-	702
Balance at the End of the Period	-	11.315	-	21.651	-	964
Interest and Commission Income	-	158	-	21	5	13

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

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

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposits</b>						
Balance at the Beginning of the Period	11.345	202.176	-	17.036	258.905	19.100
Balance at the End of the Period	15.700	11.345	-	-	179.718	258.905
Interest on deposits	915	12.487	-	-	15.743	11.238

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

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

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions for Trading Purposes</b>						
Beginning of the Period	-	-	168.641	134.496	74.646	102.824
End of the Period	-	-	-	168.641	-	74.646
Total Income/Loss	-	-	-	(4.077)	-	1.693
<b>Transactions for Hedging Purposes</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

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

- 1.4.** As of December 31, 2016, the total amount of remuneration and bonuses paid to top management of the Group is TL 74.883 (December 31, 2015- TL 62.491).

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

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

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

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

As of December 31, 2016, the rate of cash loans of the risk group divided by to total loans is %0; (December 31, 2015 – 0,3%); the deposits represented 0,4% (December 31, 2015 – 0,6%) The ratio of total derivative transactions with derivatives risk is not calculated because no derivative granted to risk group (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 Parent Bank enters into finance lease agreements with Finans Finansal Kiralama A.Ş.

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

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33,33% shareholding, provides cash transfer services to the Parent Bank.

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

The Parent Bank offers agency services to Cigna Finans Emeklilik and Hayat A.Ş. that is 49,00% jointly controlled for its insurance services.

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**VIII. EXPLANATIONS ON THE PARENT BANK’S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES OF THE GROUP**

**1. Information relating to the Parent Bank’s domestic and foreign branch and representatives**

	Number	Employees			
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	-	-		-	-

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**SECTION SIX**

**OTHER EXPLANATIONS**

**Other explanations related to the Parent Bank's operations**

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

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 Parent 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.

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**SECTION SEVEN**

**EXPLANATION ON AUDITOR'S REPORT**

**I. Explanations on Independent Audit Report**

The consolidated 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 audit report dated February 3, 2017 is presented preceding the consolidated financial statements.

**II. Explanations and notes prepared by Independent Auditors**

None (December 31, 2015 – None).