

FİNANS BANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT, CONSOLIDATED FINANCIAL STATEMENTS, NOTES AND CONSOLIDATED INTERIM ACTIVITY REPORT FOR THE PERIOD ENDED MARCH 31, 2017

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

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the consolidated balance sheet of Finans Bank A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “the Group”) at March 31, 2017 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “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 and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis of Qualified Conclusion

As of December 31, 2016 the accompanying consolidated prior period financial statements include the reversal of general reserve amounting to thousand TL 100.000 which were provided in prior periods for possible results of the circumstances which may arise from any changes in the economy and market conditions.

Qualified Conclusion

Based on our review, except for the effect of the matter referred in the “Basis of Qualified Conclusion” paragraph the comparatively presented consolidated financial statements as of December 31, 2016, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of Finans Bank A.Ş. at March 31, 2017 and of the results of its operations and its cash flows for the three-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA 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

April 28, 2017
İstanbul, Türkiye

**THE CONSOLIDATED FINANCIAL REPORT OF FINANS BANK A.Ş.
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017**

The Parent Bank's;

Address of the Head Office : Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL
Phone number : (0212) 318 50 00
Facsimile number : (0212) 318 56 48
Web page : www.qnbfinansbank.com
E-mail address : investor.relations@qnbfinansbank.com

The consolidated financial report for the three months period ended March 31, 2017, 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 INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REPORT
- INTERIM CONSOLIDATED ACTIVITY REPORT

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

Subsidiaries

1. 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 accompanying consolidated interim financial statements and related disclosures and footnotes for the three months period ended March 31, 2017, are prepared and independently limited reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying consolidated interim financial statements are presented in **thousands of Turkish Lira (TL)**.

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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FİNANS BANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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 March 31, 2017 and remaining 0,12% of related shares are public shares.

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

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

FİNANS BANK ANONİM ŞİRKETİ

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

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 March 31, 2017, the Parent Bank operates through 602 domestic (December 31, 2016 - 628), 1 foreign (December 31, 2016 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2016 - 1) branches. As of March 31 2017, the Group has 12.733 employees (December 31, 2016 – 12.920 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 THREE-MONTH PERIOD ENDED MARCH 31, 2017

(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)
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- III. Consolidated Income Statement (Statement of Income / Loss)
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- VI. Consolidated Cash Flows Statement

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

FİNANS BANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF BALANCE SHEET FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2017

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

		Reviewed 31.03.2017			Audited 31.12.2016			
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	3.281.260	10.816.211	14.097.471	1.929.861	11.174.023	13.103.884
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	2.647.958	228.141	2.876.099	2.637.196	210.497	2.847.693
2.1	Financial assets held for trading		2.629.370	228.141	2.857.511	2.614.225	210.497	2.824.722
2.1.1	Public sector debt securities		130.188	4.093	134.281	22.528	11.486	34.014
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Assets on trading derivatives		2.486.183	224.048	2.710.231	2.574.900	199.011	2.773.911
2.1.4	Other securities		12.999	-	12.999	16.797	-	16.797
2.2	Financial assets at fair value through profit and loss		18.588	-	18.588	22.971	-	22.971
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		18.588	-	18.588	22.971	-	22.971
2.2.4	Other securities		-	-	-	-	-	-
III.	BANKS	(3)	36.941	653.039	689.980	48.150	263.916	312.066
IV.	MONEY MARKET PLACEMENTS		491.494	-	491.494	1.667.618	-	1.667.618
4.1	Interbank money market placements		1.154	-	1.154	-	-	-
4.2	Istanbul Stock Exchange money market placements		390.308	-	390.308	367.013	-	367.013
4.3	Receivables from reverse repurchase agreements	(4)	100.032	-	100.032	1.300.605	-	1.300.605
V.	INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(5)	4.134.664	3.068.638	7.203.302	4.152.070	2.880.043	7.032.113
5.1	Equity securities		4.092	52.763	56.855	4.092	44.961	49.053
5.2	Public sector debt securities		4.130.274	2.974.875	7.105.149	4.147.680	2.796.651	6.944.331
5.3	Other securities		298	41.000	41.298	298	38.431	38.729
VI.	LOANS AND RECEIVABLES	(6)	54.684.219	14.191.805	68.876.024	49.855.478	12.758.615	62.614.093
6.1	Loans and receivables		54.099.803	14.191.805	68.291.608	49.233.093	12.758.615	61.991.708
6.1.1	Loans to risk group of the Bank		108	526	634	7	1.245	1.252
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		54.099.695	14.191.279	68.290.974	49.233.086	12.757.370	61.990.456
6.2	Non-performing loans		4.114.161	-	4.114.161	3.874.148	-	3.874.148
6.3	Specific provisions (-)		3.529.745	-	3.529.745	3.251.763	-	3.251.763
VII.	FACTORING RECEIVABLES	(7)	694.686	62.280	756.966	698.479	52.491	750.970
VIII.	INVESTMENT SECURITIES HELD TO MATURITY (Net)	(8)	3.457.094	3.175.687	6.632.781	3.383.952	2.516.555	5.900.507
8.1	Public sector debt securities		3.457.094	2.597.626	6.054.720	3.383.952	1.915.594	5.299.546
8.2	Other securities		-	578.061	578.061	-	600.961	600.961
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)	92.800	-	92.800	94.271	-	94.271
11.1	Equity method entities under common control		90.000	-	90.000	91.471	-	91.471
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)	1.201.511	1.775.237	2.976.748	1.107.500	1.578.777	2.686.277
12.1	Financial lease receivables		1.527.631	1.950.894	3.478.525	1.408.190	1.742.271	3.150.461
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		326.120	175.657	501.777	300.690	163.494	464.184
XIII.	DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES	(13)	3.193.312	42.957	3.236.269	3.409.777	33.561	3.443.338
13.1	Fair value hedge		2.318.955	26.100	2.345.055	2.346.595	18.509	2.365.104
13.2	Cash flow hedge		874.357	16.857	891.214	1.063.182	15.052	1.078.234
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		1.863.830	49	1.863.879	1.838.260	48	1.838.308
XV.	INTANGIBLE ASSETS (Net)		301.477	-	301.477	288.218	-	288.218
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		301.477	-	301.477	288.218	-	288.218
XVI.	INVESTMENT PROPERTIES (Net)	(14)	-	-	-	-	-	-
XVII.	TAX ASSETS	(15)	41.049	-	41.049	71.704	-	71.704
17.1	Current tax assets		3.872	-	3.872	4.737	-	4.737
17.2	Deferred tax assets		37.177	-	37.177	66.967	-	66.967
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	-	-	-
18.1	Held for sale		-	-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	1.523.767	457.889	1.981.656	1.248.446	404.508	1.652.954
TOTAL ASSETS			77.667.882	34.471.933	112.139.815	72.452.800	31.873.034	104.325.834

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 BALANCE SHEET FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2017

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

		Reviewed 31.03.2017			Audited 31.12.2016			
		Section 5 Part II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	31.042.518	29.229.648	60.272.166	31.497.058	22.368.191	53.865.249
1.1	Deposits from risk group of the Bank		82.529	41.414	123.943	158.972	36.446	195.418
1.2	Other		30.959.989	29.188.234	60.148.223	31.338.086	22.331.745	53.669.831
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	2.295.387	182.779	2.478.166	2.387.019	214.697	2.601.716
III.	FUNDS BORROWED	(3)	730.031	12.613.532	13.343.563	545.452	10.618.093	11.163.545
IV.	MONEY MARKET BORROWINGS		825.207	3.876.435	4.701.642	3.100.124	3.519.709	6.619.833
4.1	Interbank money markets takings		-	-	-	1.500.708	-	1.500.708
4.2	Istanbul Stock Exchange money markets takings		103.349	-	103.349	97.382	-	97.382
4.3	Funds provided under repurchase agreements	(4)	721.858	3.876.435	4.598.293	1.502.034	3.519.709	5.021.743
V.	SECURITIES ISSUED (Net)	(5)	1.944.023	4.685.553	6.629.576	1.861.266	4.470.311	6.331.577
5.1	Bills		1.872.676	243.786	2.116.462	1.749.202	53.683	1.802.885
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		71.347	4.441.767	4.513.114	112.064	4.416.628	4.528.692
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		2.323.420	4.243.822	6.567.242	2.243.338	4.477.548	6.720.886
VIII.	OTHER LIABILITIES	(6)	1.223.902	275.418	1.499.320	875.297	188.581	1.063.878
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)	153.810	229.306	383.116	196.239	230.489	426.728
11.1	Fair value hedge		1.626	188.556	190.182	-	190.559	190.559
11.2	Cash flow hedge		152.184	40.750	192.934	196.239	39.930	236.169
11.3	Hedge of net investments in foreign subsidiaries		-	-	-	-	-	-
XII.	PROVISIONS	(9)	1.732.019	-	1.732.019	1.794.752	-	1.794.752
12.1	General provisions		1.315.158	-	1.315.158	1.288.412	-	1.288.412
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		231.340	-	231.340	295.428	-	295.428
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		185.521	-	185.521	210.912	-	210.912
XIII.	TAX LIABILITY	(10)	202.743	-	202.743	198.098	-	198.098
13.1	Current tax liability		202.743	-	202.743	198.098	-	198.098
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)	-	3.380.377	3.380.377	-	3.235.793	3.235.793
XVI.	SHAREHOLDERS' EQUITY		11.206.937	(257.052)	10.949.885	10.677.148	(373.369)	10.303.779
16.1	Paid-in capital	(13)	3.150.000	-	3.150.000	3.150.000	-	3.150.000
16.2	Capital reserves		39.551	(257.052)	(217.501)	(44.173)	(373.369)	(417.542)
16.2.1	Share premium	(14)	714	-	714	714	-	714
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Securities value increase fund	(15)	(16.236)	(263.782)	(280.018)	(40.675)	(379.478)	(420.153)
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)		98.727	6.730	105.457	39.442	6.109	45.551
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(43.654)	-	(43.654)	(43.654)	-	(43.654)
16.3	Profit reserves		7.565.587	-	7.565.587	6.329.182	-	6.329.182
16.3.1	Legal reserves		548.087	-	548.087	487.422	-	487.422
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		7.017.500	-	7.017.500	5.841.760	-	5.841.760
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	Profit or loss		445.890	-	445.890	1.236.405	-	1.236.405
16.4.1	Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2	Current period income/ (loss)		445.890	-	445.890	1.236.405	-	1.236.405
16.5	Minority shares		5.909	-	5.909	5.734	-	5.734
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			53.679.997	58.459.818	112.139.815	55.375.791	48.950.043	104.325.834

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 OFF BALANCE SHEET FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2017**

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

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

		Reviewed 31.03.2017			Audited 31.12.2016			
		Section 5 Part III	TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		122.685.984	112.800.296	235.486.280	107.898.237	100.663.461	208.561.698
I.	GUARANTEES	(1),(2),(3),(4)	7.621.801	7.159.422	14.781.223	7.171.006	6.013.004	13.184.010
1.1.	Letters of guarantee		7.605.329	4.052.682	11.658.011	7.158.585	3.648.130	10.806.715
1.1.1.	Guarantees subject to State Tender Law		307.580	30.731	338.311	310.573	36.451	347.024
1.1.2.	Guarantees given for foreign trade operations		3.597.041	4.021.951	7.618.992	3.527.000	3.611.679	7.138.679
1.1.3.	Other letters of guarantee		3.700.708	-	3.700.708	3.321.012	-	3.321.012
1.2.	Bank loans		16.472	1.826.207	1.842.679	7.421	1.248.056	1.255.477
1.2.1.	Import letter of acceptance		16.472	1.826.207	1.842.679	7.421	1.248.056	1.255.477
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		-	1.280.533	1.280.533	5.000	1.116.818	1.121.818
1.3.1.	Documentary letters of credit		-	1.224.473	1.224.473	5.000	1.084.124	1.089.124
1.3.2.	Other letters of credit		-	56.060	56.060	-	32.694	32.694
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)	42.868.721	3.691.196	46.559.917	39.756.441	2.310.737	42.067.178
2.1.	Irrevocable commitments		42.112.268	3.236.467	45.348.735	39.371.199	1.954.418	41.325.617
2.1.1.	Forward asset purchase commitments		1.171.334	2.027.954	3.199.288	355.574	860.966	1.216.540
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		30.000	-	30.000	30.000	-	30.000
2.1.4.	Loan granting commitments		20.995.408	364	20.995.772	19.364.771	353	19.365.124
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2.798.454	-	2.798.454	2.707.388	-	2.707.388
2.1.8.	Tax and fund liabilities from export commitments		10.694	-	10.694	10.267	-	10.267
2.1.9.	Commitments for credit card expenditure limits		16.634.956	-	16.634.956	16.396.189	-	16.396.189
2.1.10.	Commitments for promotions related with credit cards and banking activities		25.598	-	25.598	19.721	-	19.721
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		445.824	1.208.149	1.653.973	487.289	1.093.099	1.580.388
2.2.	Revocable commitments		756.453	454.729	1.211.182	385.242	356.319	741.561
2.2.1.	Revocable loan granting commitments		595.490	-	595.490	240.800	-	240.800
2.2.2.	Other revocable commitments		160.963	454.729	615.692	144.442	356.319	500.761
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	72.195.462	101.949.678	174.145.140	60.970.790	92.339.720	153.310.510
3.1	Derivative financial instruments for hedging purposes		21.381.092	24.669.360	46.050.452	16.730.698	21.068.526	37.799.224
3.1.1	Fair value hedge		3.754.393	12.007.663	15.762.056	3.456.411	11.638.573	15.094.984
3.1.2	Cash flow hedge		17.626.699	12.661.697	30.288.396	13.274.287	9.429.953	22.704.240
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		50.814.370	77.280.318	128.094.688	44.240.092	71.271.194	115.511.286
3.2.1	Forward foreign currency buy/sell transactions		2.954.187	3.722.556	6.676.743	4.118.082	6.261.366	10.379.448
3.2.1.1	Forward foreign currency transactions-buy		1.637.334	1.699.108	3.336.442	2.683.949	2.467.023	5.150.972
3.2.1.2	Forward foreign currency transactions-sell		1.316.853	2.023.448	3.340.301	1.434.133	3.794.343	5.228.476
3.2.2	Swap transactions related to foreign currency and interest rates		44.272.597	68.638.434	112.911.031	35.619.409	58.965.219	94.584.628
3.2.2.1	Foreign currency swap-buy		17.375.973	30.734.302	48.110.275	15.510.246	23.802.355	39.312.601
3.2.2.2	Foreign currency swap-sell		26.076.624	21.854.852	47.931.476	18.569.163	20.441.802	39.010.965
3.2.2.3	Interest rate swaps-buy		410.000	8.024.640	8.434.640	770.000	7.360.531	8.130.531
3.2.2.4	Interest rate swaps-sell		410.000	8.024.640	8.434.640	770.000	7.360.531	8.130.531
3.2.3	Foreign currency, interest rate and securities options		3.587.586	3.879.670	7.467.256	4.502.601	5.087.199	9.589.800
3.2.3.1	Foreign currency options-buy		1.633.957	2.093.570	3.727.527	2.355.495	2.402.267	4.757.762
3.2.3.2	Foreign currency options-sell		1.953.629	1.786.100	3.739.729	2.147.106	2.684.932	4.832.038
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		-	130.008	130.008	-	74.460	74.460
3.2.4.1	Foreign currency futures-buy		-	65.004	65.004	-	37.230	37.230
3.2.4.2	Foreign currency futures-sell		-	65.004	65.004	-	37.230	37.230
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		-	909.650	909.650	-	882.950	882.950
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		587.848.247	94.277.021	682.125.268	552.759.553	90.204.038	642.963.591
IV.	ITEMS HELD IN CUSTODY		45.157.140	3.300.587	48.457.727	43.231.414	3.728.678	46.960.092
4.1.	Assets under management		4.495.724	6.139	4.501.863	4.935.464	2.218	4.937.682
4.2.	Investment securities held in custody		19.479.497	762.150	20.241.647	18.642.053	1.348.273	19.990.326
4.3.	Checks received for collection		3.486.285	426.667	3.912.952	3.452.693	463.821	3.916.514
4.4.	Commercial notes received for collection		986.490	208.031	1.194.521	938.785	213.474	1.152.259
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		16.709.144	1.897.600	18.606.744	15.262.419	1.700.892	16.963.311
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		335.786.791	50.352.213	386.139.004	319.890.014	47.175.906	367.065.920
5.1.	Marketable securities		910.817	4.061.067	4.971.884	819.315	3.186.362	4.005.677
5.2.	Guarantee notes		189.251	78.439	267.690	201.294	76.487	277.781
5.3.	Commodity		63.183	-	63.183	61.743	-	61.743
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		79.419.286	27.904.413	107.323.699	78.296.557	25.750.041	104.046.598
5.6.	Other pledged items		255.204.254	18.308.294	273.512.548	240.511.105	18.163.016	258.674.121
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		206.904.316	40.624.221	247.528.537	189.638.125	39.299.454	228.937.579
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			710.534.231	207.077.317	917.611.548	660.657.790	190.867.499	851.525.289

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 INCOME STATEMENT FOR THE THREE-MONTH PERIOD ENDED MARCH
31, 2017 (STATEMENT OF INCOME/LOSS)

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

III. CONSOLIDATED INCOME STATEMENT

			Reviewed 01.01 - 31.03.2017	Reviewed 01.01 - 31.03.2016
		Section 5 Part IV.		
I.	INTEREST INCOME	(1)	2.457.536	2.125.108
1.1	Interest on loans		2.012.613	1.821.615
1.2	Interest received from reserve deposits		20.284	12.585
1.3	Interest received from banks		36.011	2.013
1.4	Interest received from money market placements		29.288	13.255
1.5	Interest received from marketable securities portfolio		262.280	201.006
1.5.1	Held-for-trading financial assets		963	2.095
1.5.2	Financial assets at fair value through profit and loss		665	1.453
1.5.3	Available-for-sale financial assets		133.841	112.748
1.5.4	Investments held-to-maturity		126.811	84.710
1.6	Finance lease income		63.189	48.176
1.7	Other interest income		33.871	26.458
II.	INTEREST EXPENSE	(2)	1.074.830	1.091.421
2.1	Interest on deposits		752.880	862.008
2.2	Interest on funds borrowed		158.197	86.967
2.3	Interest on money market borrowings		43.690	49.428
2.4	Interest on securities issued		106.588	84.201
2.5	Other interest expense		13.475	8.817
III.	NET INTEREST INCOME (I - II)		1.382.706	1.033.687
IV.	NET FEES AND COMMISSIONS INCOME		431.043	338.153
4.1	Fees and commissions received		505.208	418.671
4.1.1	Non-cash loans		19.208	16.116
4.1.2	Other		486.000	402.555
4.2	Fees and commissions paid		74.165	80.518
4.2.1	Non-cash loans		499	472
4.2.2	Other		73.666	80.046
V.	DIVIDEND INCOME	(3)	52	2
VI.	NET TRADING INCOME	(4)	(259.012)	(160.932)
6.1	Securities trading gains/ (losses)		2.606	11.737
6.2	Gains / (losses)Financial derivative transactions		(296.046)	(152.455)
6.3	Foreign exchange gains/ (losses)		34.428	(20.214)
VII.	OTHER OPERATING INCOME	(5)	15.411	24.564
VIII.	NET OPERATING INCOME (III+IV+V+VI+VII)		1.570.200	1.235.474
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	278.082	283.505
X.	OTHER OPERATING EXPENSES (-)	(7)	734.712	732.052
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		557.406	219.917
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII.	GAIN / (LOSS) ON EQUITY METHOD		(1.471)	(3.455)
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(8)	555.935	216.462
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	(9)	(109.870)	(45.026)
16.1	Current income tax charge		(128.883)	(4.645)
16.2	Deferred tax charge / benefit		19.013	(40.381)
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	446.065	171.436
XVIII.	INCOME ON DISCONTINUED OPERATIONS		-	-
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and entities under common control		-	-
18.3	Income on other discontinued operations		-	-
XIX.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Loss from assets held for sale		-	-
19.2	Loss on sale of associates, subsidiaries and entities under common control		-	-
19.3	Loss from other discontinued operations		-	-
XX.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(8)	-	-
XXI.	TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
XXII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	(11)	446.065	171.436
23.1	Group's profit/loss		445.890	169.890
23.2	Minority shares		175	1.546
	Earnings per share		0,01416	0,00539

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 THREE-MONTH PERIOD ENDED MARCH 31, 2017
(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**

	Reviewed 01.01 – 31.03.2017	Reviewed 01.01 – 31.03.2016
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	173.962	154.310
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	74.882	(159.229)
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	-	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(48.803)	983
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	200.041	(3.936)
XI. PROFIT/LOSS	446.065	171.436
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	1.525	9.133
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(880)	501
11.3 Transfer of hedge of net investments in foreign operations recycled to Income Statement	-	-
11.4 Other	445.420	161.802
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)	646.106	167.500

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 CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2017

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Section 5 Part II.13	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
Prior period – 01.01.-31.03.2016																			
I. Beginning Balance		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
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	123,447	-	-	-	-	123,447	-	123,447
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(127,383)	-	(127,383)	-	(127,383)
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(127,383)	-	(127,383)	-	(127,383)
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other ^(*)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Period net income/(loss)		-	-	-	-	-	-	-	-	169,890	53,868	-	-	-	-	-	53,868	(181,980) ^(*)	(128,112)
XX. Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	169,890	1,546	171,436
20.1 Dividends distributed		-	-	-	-	35,443	-	766,847	-	-	(802,290)	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	35,443	-	766,847	-	-	(802,290)	-	-	-	-	-	-	-	-
Closing balance (I+II+III+....+XVI+XVII+XVIII)		3,000,000	-	714	-	487,422	-	5,936,429	(45,674)	169,890	54,317	(120,812)	-	-	(46,208)	-	9,436,078	8,795	9,444,873

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 CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED MARCH 31, 2017

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Section 5 Part II.13	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
Current period – 01.01.-31.03.2017																			
I. Beginning Balance		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
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	140.135	-	-	-	-	140.135	-	140.135
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	59.906	-	59.906	-	59.906
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	59.906	-	59.906	-	59.906
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Period net income/(loss)		-	-	-	-	-	-	-	-	445.890	-	-	-	-	-	-	445.890	175	446.065
XVIII. Profit distribution		-	-	-	-	60.665	-	1.175.740	-	-	(1.236.405)	-	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	60.665	-	1.175.740	-	-	(1.236.405)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance (I+II+III+.....+XVI+XVII+XVIII)		3.150.000	-	714	-	548.087	-	7.017.500	(43.654)	445.890	-	(280.018)	-	-	105.457	-	10.943.976	5.909	10.949.885

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 CASH FLOW STATEMENT
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CONSOLIDATED CASH FLOW STATEMENT

	Section 5 Part V.	Reviewed 01.01 – 31.03.2017	Reviewed 01.01 – 31.03.2016
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities (+)		4.561.281	1.886.709
1.1.1 Interest received (+)		2.207.649	2.061.082
1.1.2 Interest paid (-)		(865.234)	(882.009)
1.1.3 Dividend received (+)		52	2
1.1.4 Fees and commissions received (+)		495.608	396.239
1.1.5 Other income (+)		13.364	14.835
1.1.6 Collections from previously written off loans (+)		281.057	177.474
1.1.7 Payments to personnel and service suppliers (-)		(637.069)	(592.402)
1.1.8 Taxes paid (-)		(274.764)	(333.937)
1.1.9 Other (+/-)		3.340.618	1.045.425
1.2 Changes in operating assets and liabilities		(3.591.130)	(2.691.284)
1.2.1 Net (increase) decrease in financial assets held for trading (+/-)		(96.126)	(57.000)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		(2.311)	72.022
1.2.3 Net (increase) decrease in due from banks (+/-)		447.953	(1.708.807)
1.2.4 Net (increase) decrease in loans (+/-)		(3.166.752)	(2.462.149)
1.2.5 Net (increase) decrease in other assets (+/-)		(246.342)	763.998
1.2.6 Net increase (decrease) in bank deposits (+/-)		3.577.179	85.752
1.2.7 Net increase (decrease) in other deposits (+/-)		(2.085.631)	1.635.093
1.2.8 Net increase (decrease) in funds borrowed (+/-)		(301.478)	938.698
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)		(1.717.622)	(1.958.891)
I. Net cash provided from / (used in) banking operations (+/-)		970.151	(804.575)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities (+/-)		(520.044)	(325.590)
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 (-)		(22.478)	(46.774)
2.4 Fixed assets sales (+)		1.037	6.493
2.5 Cash paid for purchase of financial assets available for sale (-)		(430.461)	(560.464)
2.6 Cash obtained from sale of financial assets available for sale (+)		567.979	353.918
2.7 Cash paid for purchase of investment securities (-)		(683.036)	(55.211)
2.8 Cash obtained from sale of investment securities (+)		87.841	-
2.9 Other (+/-)		(40.926)	(23.552)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities (+/-)		153.282	307.417
3.1 Cash obtained from funds borrowed and securities issued (+)		1.226.450	1.049.104
3.2 Cash used for repayment of funds borrowed and securities issued (-)		(1.073.168)	(613.575)
3.3 Capital increase (+)		-	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance leases (-)		-	-
3.6 Other (+/-)		-	(128.112)
IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)		46.193	(227.055)
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		649.582	(1.049.803)
VI. Cash and cash equivalents at the beginning of the period (+)		5.909.944	3.731.536
VII. Cash and cash equivalents at end of the period (V+VI)		6.559.526	2.681.733

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 Parent Bank maintains its books of account in accordance with the Banking Law No. 5411, which was published in the Official Gazette No. 25983 dated 1 November 2005. The Bank prepared the accompanying consolidated financial statements regarding to the Banking Law No.5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("KGK"), 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 28 June 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, 2016. The amendments of TAS and TFRS, effective as of January 1, 2017, have no material impact on the Group's 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.

(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 THREE-MONTH PERIOD ENDED MARCH 31, 2017**

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

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's classification and valuation of financial assets. Its impact has not yet been detected since it will change based on financial asset management model used and financial assets held as of transition date. The 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's 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.

(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 THREE-MONTH PERIOD ENDED MARCH 31, 2017
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2. Foreign currency transactions

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

The 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 March 31, 2017 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:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
US Dollar	TL 3,6386	TL 3,5318
Euro	TL 3,9083	TL 3,6939

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 March 31, 2017 is TL 34.428 (March 31, 2016 – TL 20.214 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:

	Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)	
				March 31, 2017	December 31, 2016
1. Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100,00	100,00
2. Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100,00	100,00
3. Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100,00	100,00
4. Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99,40	99,40
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 March 31, 2017.

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 subsidiary's 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 Parent Bank applies cash flow hedge accounting using interest rate swaps to hedge itself against the changes related to interest rate fluctuations of TL and FC customer deposits that are renewed as cyclical in short term. 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.

Finans Finansal Kiralama AŞ., the subsidiary of the bank, applies fair value hedge accounting to hedge itself against changes in interest rates related to fixed rate TL securities issued.

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

Finans Finansal Kiralama AŞ., the subsidiary of the bank, applies fair value hedge accounting through interest rate swaps to hedge itself against changes in interest rates related to TL borrowings.

At each balance sheet date the Parent Bank and Finans Finansal Kiralama AŞ., the subsidiary of the bank, apply effectiveness tests for fair value hedge accounting.

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

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 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.

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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.

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.

The Parent Bank does not have any 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 specific 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 5.594.083 (December 31, 2016 - TL 5.837.963).

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. Amortisation 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 as other assets.

XII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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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’s 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.

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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 estates held in Parent Bank 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.

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

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

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

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

2. Deferred Taxes

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

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

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3. Transfer Pricing

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

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

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

XIX. 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, there has been no change in the Bank’s paid in capital. (1 January -31 December 2016 the Parent Bank’s paid in capital has been increased by TL 150.000 from first dividend with bonus shares.)

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 March 31, 2017, the Group does not have any governmental incentives or support. (As of December 31, 2016 – None.)

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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 installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

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	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Current Period (January 1 –March 31, 2017)				
Net Interest Income	410.473	444.791	527.442	1.382.706
Net Fees and Commissions Income	246.604	171.068	13.371	431.043
Other Operating Income and Net Trading Income	8.988	18.887	(271.476)	(243.601)
Dividend Income	-	-	52	52
Operating Income	666.065	634.746	269.389	1.570.200
Other Operating Expenses	382.393	279.892	72.427	734.712
Provision for Loan Losses and Other Receivables	108.832	199.943	(30.693)	278.082
Gain / Loss on joint venture accounted for at equity method	-	-	(1.471)	(1.471)
Profit Before Taxes	174.840	154.911	226.184	555.935
Provision for Tax	-	-	-	(109.870)
Net Profit/Loss	-	-	-	446.065
Total Assets	23.641.903	48.986.423	34.294.541	112.139.815
Segment Assets	23.641.903	48.986.423	34.294.541	106.922.867
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	114.620
Undistributed Assets	-	-	-	5.102.328
Total Liabilities	36.297.114	18.435.691	36.455.801	112.139.815
Segment Liabilities	36.297.114	18.435.691	36.455.801	91.188.606
Undistributed Liabilities	-	-	-	10.001.324
Equity	-	-	-	10.949.885
Other Segment Accounts	67.569	46.543	11.982	126.094
Capital Expenditures	33.099	22.799	6.969	62.867
Depreciation and Amortization	34.470	23.744	5.013	63.227
Value Decrease/ (Increase)	-	-	-	-
Prior Period (January 1 - March 31, 2016)				
Net Interest Income	385.110	377.683	270.894	1.033.687
Net Fees and Commissions Income	226.321	102.163	9.669	338.153
Other Operating Income and Net Trading Income	7.323	8.399	(152.090)	(136.368)
Dividend Income	-	-	2	2
Operating Income	618.754	488.245	128.475	1.235.474
Other Operating Expenses	422.854	247.896	61.302	732.052
Provision for Loan Losses and Other Receivables	161.657	148.264	(26.416)	283.505
Gain / Loss on joint venture accounted for at equity method	-	-	(3.455)	(3.455)
Profit Before Taxes	34.243	92.085	90.134	216.462
Provision for Tax	-	-	-	(45.026)
Net Profit/Loss	-	-	-	171.436
Other Segment Accounts	89.759	49.425	13.062	152.246
Capital Expenditures	52.494	28.905	8.260	89.659
Depreciation and Amortization	37.265	20.520	4.802	62.587
Value Decrease/ (Increase)	-	-	-	-
Prior Period (December 31, 2016)				
Total Assets	23.735.540	42.338.771	33.220.193	104.325.834
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
Total Liabilities	35.177.287	16.714.270	32.352.884	104.325.834
Segment Liabilities	35.177.287	16.714.270	32.352.884	84.244.441
Undistributed Liabilities	-	-	-	9.777.614
Equity	-	-	-	10.303.779

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XXIV. Profit Reserves and profit distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 30, 2017. It was decided net income from 2016 operations to be distributed as follows,

Statement of Profit Distribution, 2016

Profit for the Period	1.203.410
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(60.171)
B – First Profit share to be distributed ^(*)	(157.500)
C – Real Estate sale income fund (KVK 5-1/e)	(79.366)
D – Extraordinary Reserves	(906.373)

^(*) It has been decided for TL 157.500 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.

	Current Period	Prior Period
Group's Net Profit for the Period	445.890	169.890
Weighted Average Amount of Shares Issued (Thousands)	31.500.000	31.500.000
Earnings per Share	0,01416	0,00539

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.

No bonus shares were issued in 2017 (2016: (1.500.000)).

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 March 31, 2017 Group’s total capital has been calculated as 11.911.586 TL (December 31, 2016: TL 11.441.004), capital adequacy ratio is % 14,00 (December 31, 2016: 14,27) calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

a. Components of consolidated shareholders’ equity items:

	Current Period March 31, 2017	Amounts subject to treatment before 1/1/2014⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.150.000	
Share issue premiums	714	
Reserves	7.565.587	
Gains recognized in equity as per TAS	6.504	
Profit	445.890	
Current Period Profit	445.890	
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	5.909	
Common Equity Tier 1 Capital Before Deductions	11.174.604	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	330.176	
Improvement costs for operating leasing	73.363	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	163.556	272.593
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	567.095	
Total Common Equity Tier 1 Capital	10.607.509	

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	Current Period March 31, 2017	Amounts subject to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	109.037	
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	10.498.472	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	577.720	
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)	921.552	
Tier II Capital Before Deductions	1.499.272	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	1.499.272	
Total Capital (The sum of Tier I Capital and Tier II Capital) (Before deduction)	11.997.744	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	11.908	
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	48.737	
Other items to be defined by the BRSA (-)	25.513	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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	Current Period March 31, 2017	Amounts subject to treatment before 1/1/2014⁽¹⁾
TOTAL CAPITAL		
Total Capital	11.911.586	
Total risk weighted amounts	85.107.881	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	% 12,46	
Tier I Capital Adequacy Ratio	% 12,34	
Capital Adequacy Ratio	% 14,00	
BUFFERS		
Bank specific total common equity tier I capital ratio	% 1,75	
a) Capital conservation buffer requirement	% 1,25	
b) Bank specific counter-cyclical buffer requirement	-	
c) Systemic significant bank buffer ratio	% 0,50	
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	% 6,46	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	90.000	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	37.177	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.315.158	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	921.552	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	577.720	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	2.733.406	

(*) 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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Components of consolidated shareholders' equity items:

	Prior Period December 31, 2016(*)	Amounts subject to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY		
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	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 recognized within profit for the period	-	
Minority shares	5.734	
Common Equity Before Deductions	10.722.407	
Common Equity Tier 1 Capital Before Deductions		
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	-	
Total Deductions From Common Equity Tier 1 Capital	696.953	
Total Common Equity Tier 1 Capital	10.025.454	

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

	Prior Period December 31, 2016	Amounts subject to treatment before 1/1/2014⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for		
the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	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 (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	9.922.078	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	693.264	
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	
Tier II Capital Before Deductions	1.582.608	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	1.582.608	
Total Capital (The sum of Tier I Capital and Tier II Capital) (Before deduction)	11.504.686	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.669	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets		
Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	19.013	
Other items to be defined by the BRSA (-)	32.000	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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	Prior Period December 31, 2016	Amounts subject to treatment before 1/1/2014 ^(*)
TOTAL CAPITAL		
Total Capital	11.441.004	
Total risk weighted amounts	80.174.960	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	% 12,50	
Tier I Capital Adequacy Ratio	% 12,38	
Capital Adequacy Ratio	% 14,27	
BUFFERS		
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	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	91.471	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	66.967	
Limits related to provisions considered in Tier II calculation		
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	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	693.264	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	2.520.674	

(*) Amounts in this column 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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b. 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)	289	178	111	-
Par value of instrument (Currency in million)	1.183	728	455	946
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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	1	2	3	4
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	None
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, 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 Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2017. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented:

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

1. Explanations on the strategies and policies of the risk management system:

Overview of RWA

		Risk Weighted Assets		Minimum Capital Requirements
		31.03.2017	31.03.2016	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	71.959.100	62.957.862	5.756.728
2	Standardised approach (SA)	71.959.100	62.957.862	5.756.728
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1.765.039	1.162.195	141.203
5	Standardised approach for counterparty credit risk (SA-CCR)	1.765.039	1.162.195	141.203
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	Securitisation 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	2.158.150	857.363	172.652
17	Standardised approach (SA)	2.158.150	857.363	172.652
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	9.225.591	8.018.463	738.047
20	Basic Indicator Approach	9.225.591	8.018.463	738.047
21	Standardised Approach	-	-	-
22	Advanced Measurement Approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	85.107.880	72.995.883	6.808.630

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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 Group 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	TL 3,6386
Euro purchase rate in the balance sheet date	TL 3,9083

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
March 31, 2017	3,6386	3,9083
March 30, 2017	3,6416	3,9268
March 29, 2017	3,6186	3,9283
March 28, 2017	3,5931	3,9045
March 27, 2017	3,6185	3,9051

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

The arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for March 2017 are TL 3,6659 and TL 3,9158; respectively.

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

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank ⁽¹⁾	2.096.559	7.282.623	1.437.029	10.816.211
Due From Banks	80.184	555.588	17.267	653.039
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	75.431	115.350	5	190.786
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	380.512	2.688.126	-	3.068.638
Loans and Receivables ⁽³⁾	8.693.011	9.099.316	23.039	17.815.366
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Securities Held-to-Maturity	17.252	3.158.435	-	3.175.687
Derivative Financial Assets Hedging Purposes	3.904	39.053	-	42.957
Tangible Assets	-	-	49	49
Intangible Assets	-	-	-	-
Other Assets ⁽⁴⁾	1.478.214	818.550	19.648	2.316.412
Total Assets	12.825.067	23.757.041	1.497.037	38.079.145
Liabilities				
Bank Deposits	658.052	3.667.159	354.221	4.679.432
Foreign Currency Deposits ⁽⁵⁾	7.122.946	16.139.156	1.288.114	24.550.216
Money Market Borrowings	188.487	3.687.948	-	3.876.435
Funds Provided from Other Financial Institutions	3.545.756	10.593.494	1.854.659	15.993.909
Securities Issued ⁽⁶⁾	183.745	4.501.808	-	4.685.553
Sundry Creditors ⁽⁷⁾	2.811.470	1.422.106	10.256	4.243.832
Derivative Fin. Liabilities Hedging Purposes	63.420	165.886	-	229.306
Other Liabilities ⁽⁸⁾	120.624	334.134	223	454.981
Total Liabilities	14.694.500	40.511.691	3.507.473	58.713.664
Net Balance Sheet Position	(1.869.433)	(16.754.650)	(2.010.436)	(20.634.519)
Net Off-Balance Sheet Position	2.069.005	15.052.839	1.978.281	19.100.125
Financial Derivative Assets	6.990.069	50.797.939	2.094.089	59.882.097
Financial Derivative Liabilities	4.921.064	35.745.100	115.808	40.781.972
Non-Cash Loans ⁽⁸⁾	2.802.650	4.269.761	87.011	7.159.422
Prior Period				
Total Assets	12.375.388	21.706.843	1.644.362	35.726.593
Total Liabilities	12.760.272	33.755.504	2.765.686	49.281.462
Net Balance Sheet Position	(384.884)	(12.048.661)	(1.121.324)	(13.554.869)
Net Off-Balance Sheet Position	448.647	10.341.525	1.119.800	11.909.972
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 ⁽⁸⁾	2.203.845	3.737.029	72.130	6.013.004

(1) Cash and Balances with TR Central; Other FC include TL 1.418.723 (December 31, 2016 – TL 1.554.973) precious metal deposit account.

(2) Does not include TL 37.355 (December 31, 2016 – 38.111 TL) of currency income accruals arising from derivative transactions.

(3) Includes TL 3.623.561 TL (December 31, 2016 – TL 3.859.134) FC indexed loans.

(4) Does not include FC prepaid expenses amounting to TL 3.234 (December 31, 2016 – TL 3.375) as per BRSA's Communiqué published in Official Gazette no 26085 on February 19, 2006. Does not include repealed financial leasing receivables amounting to TL 10.595 (December 31, 2016 – TL 5.416) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 34.835 (December 31, 2016 – TL 41.327) accounted as TL in balance sheet.

(5) Other foreign currency includes TL 944.741 (December 31, 2016 – TL 778.428) 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 10.

(8) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 3.216 (December 31, 2016 – TL 41.958)

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

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As of March 31, 2017, the net foreign currency exposure of the Group is TL 1.534.394 short position (December 31, 2016 – TL – 1.644.897 short) resulting from on balance sheet short position amounting to TL 20.634.519 (December 31, 2016 – TL 13.554.869 short) and long off balance sheet position amounting to TL 19.100.125 (December 31, 2016 – TL 11.909.972 long). As it is stated in note numbered III.5.1.d in Section Five, net foreign currency open position of the Group is TL 151.726 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.382.668) 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.

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 Parent 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)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing ^(*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	8.438.170	-	-	-	-	5.659.301	14.097.471
Due from Banks	398.601	2.073	8.317	-	-	280.989	689.980
Financial Assets at Fair Value Through Profit/Loss ^(**)	83	3.457	708	58.369	85.321	5.964.430	6.112.368
Money Market Placements	491.494	-	-	-	-	-	491.494
Inv. Securities Available for Sale	821.755	1.056.578	1.625.868	907.154	2.796.955	(5.008)	7.203.302
Loans and Receivables	13.753.877	8.162.623	22.598.909	20.069.193	2.680.890	1.610.532	68.876.024
Inv. Securities Held to Maturity	675.888	951.632	1.521.933	1.163.817	2.198.626	120.885	6.632.781
Other Assets	472.073	312.515	984.864	1.692.630	88.946	4.485.367	8.036.395
Total Assets	25.051.941	10.488.878	26.740.599	23.891.163	7.850.738	18.116.496	112.139.815
Liabilities							
Bank Deposits	4.346.539	690.493	31.091	-	-	470.444	5.538.567
Other Deposits	30.561.097	9.544.553	2.843.979	168.991	-	11.614.979	54.733.599
Money Market Borrowings	2.794.722	441.724	1.283.372	-	173.163	8.661	4.701.642
Sundry Creditors	4.125.130	-	-	-	-	2.442.112	6.567.242
Securities Issued	912.173	2.170.971	1.650.482	1.813.101	-	82.849	6.629.576
Funds Borrowed	4.040.122	7.869.321	4.642.478	31.543	-	140.476	16.723.940
Other Liabilities ^(***)	3.887	-	-	-	-	17.241.362	17.245.249
Total Liabilities	46.783.670	20.717.062	10.451.402	2.013.635	173.163	32.000.883	112.139.815
On Balance Sheet Long Position	-	-	16.289.197	21.877.528	7.677.575	-	45.844.300
On Balance Sheet Short Position	(21.731.729)	(10.228.184)	-	-	-	(13.884.387)	(45.844.300)
Off-Balance Sheet Long Position	4.871.784	13.534.832	58.986	-	-	-	18.465.602
Off-Balance Sheet Short Position	-	-	-	(11.783.051)	(3.243.187)	-	(15.026.238)
Total Position	(16.859.945)	3.306.648	16.348.183	10.094.477	4.434.388	(13.884.387)	3.439.364

^(*) 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 3.236.269 derivative financial assets used for hedging purposes.

^(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 383.116.

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

(Based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing ^(*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	7.541.319	-	-	-	-	5.562.565	13.103.884
Due from Banks	75.512	-	12.182	-	-	224.372	312.066
Financial Assets at Fair Value Through Profit/Loss ^(**)	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
Total Assets	24.977.358	9.491.841	25.857.036	19.297.038	7.093.985	17.608.576	104.325.834
Liabilities							
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 ^(***)	4.200	-	-	-	-	16.384.751	16.388.951
Total Liabilities	44.047.708	16.139.402	13.652.081	2.029.490	28.295	28.428.858	104.325.834
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)
Total Position	(13.932.134)	5.109.288	10.862.926	7.916.151	4.685.849	(10.820.282)	3.821.798

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

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

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

Average interest rates applied to monetary financial instruments

Current Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	1,00	-	4,00
Due from Banks	0,59	2,13	-	11,04
Financial Assets at Fair Value Through Profit/Loss	2,48	5,27	-	9,36
Money Market Placements	-	-	-	11,93
Investment Securities Available for Sale	3,51	4,83	-	10,02
Loans and Receivables	4,09	5,34	2,63	14,66
Investment Securities Held for Trading	2,96	5,21	-	11,33
Liabilities				
Bank Deposits	0,95	1,30	-	10,66
Other Deposits	1,30	2,81	1,12	11,10
Money Market Borrowings	0,24	1,53	-	10,69
Sundry Creditors	0,35	0,74	-	-
Securities Issued	-	5,81	-	11,98
Funds Borrowed	1,65	3,50	-	10,99

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Average interest rates applied to monetary financial instruments

Prior Period	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,75	-	3,31
Due from Banks	0,48	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 to Maturity	2,96	5,06	-	9,70
Liabilities				
Bank Deposits	0,29	0,94	-	9,17
Other Deposits	1,41	2,91	0,94	10,39
Money Market Borrowings	0,24	1,51	-	7,96
Sundry Creditors	0,35	0,45	-	-
Securities Issued	-	5,84	-	11,34
Funds Borrowed	2,05	3,41	-	11,19

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

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1. Equity Investments Group A	22.037	-	22.037
Quoted Securities	22.037	-	22.037
2. Equity Investments Group B	-	-	-
Quoted Securities	-	-	-
3. Equity Investments Group C	-	-	-
Quoted Securities	-	-	-
4. Equity Investments Group Other^(*)	114.620 ^(*)	126.644 ^(**)	-

^(*) 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	1.555	-	-	(376)	-	(169)
3. Other Shares	-	-	-	-	-	-
4. Total	1.555	-	-	(376)	-	(169)

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

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

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

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

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank.

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

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

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

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

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Liquidity Coverage Ratio

CURRENT PERIOD March 31, 2017	Unweighted Amounts^(*)		Weighted Amounts^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			17.785.234	8.536.406
1. High Quality Liquid Assets	20.004.896	10.756.068	17.785.234	8.536.406
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	40.403.481	17.699.887	3.548.179	1.769.989
3. Stable deposits	9.843.378	-	492.169	-
4. Less stable deposits	30.560.103	17.699.887	3.056.010	1.769.989
5. Unsecured Funding other than Retail and Small Business Customers Deposits	18.125.043	10.069.812	12.830.294	7.497.552
6. Operational deposits	569.454	34.195	142.364	8.549
7. Non-Operational Deposits	12.872.266	8.054.774	8.523.983	5.508.160
8. Other Unsecured Funding	4.683.323	1.980.843	4.163.947	1.980.843
9. Secured funding			757.388	757.388
10. Other Cash Outflows	19.974.808	10.542.691	19.974.808	10.542.691
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	19.974.808	10.542.691	19.974.808	10.542.691
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	478.884	-	23.945	-
15. Other irrevocable or conditionally revocable commitments	55.390.386	8.050.240	3.740.618	695.158
16. TOTAL CASH OUTFLOWS			40.875.232	21.262.778
CASH INFLOWS				
17. Secured Lending Transactions	440.156	-	-	-
18. Unsecured Lending Transactions	6.122.933	1.041.120	3.729.214	814.529
19. Other contractual cash inflows	18.546.381	13.556.056	18.546.381	13.556.056
20. TOTAL CASH INFLOWS	25.109.470	14.597.176	22.275.595	14.370.585
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			17.785.234	8.536.406
22. TOTAL NET CASH OUTFLOWS			18.599.637	6.892.193
23. Liquidity Coverage Ratio (%)			95,62%	123,86%

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

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	Unweighted Amounts^(*)		Weighted Amounts^(*)	
PRIOR PERIOD December 31, 2016	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			14.875.566	8.053.418
1. High Quality Liquid Assets	16.972.402	10.150.254	14.875.566	8.053.418
CASH OUTFLOWS				
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
16. TOTAL CASH OUTFLOWS			37.165.654	19.391.668
CASH INFLOWS				
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
20. TOTAL CASH INFLOWS	22.115.851	11.614.974	19.027.812	11.374.316
			Capped Amount	
21. TOTAL HIGH QUALITY LIQUID ASSETS			14.875.566	8.053.418
22. TOTAL NET CASH OUTFLOWS			18.137.842	8.017.352
23. Liquidity Coverage Ratio (%)			82,01%	100,45%

(*) 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 first three months are explained in the table below.

	Maximum	Week	Minimum	Week	Average
TL+FC	102,6	30.01.2017	91,7	31.03.2017	95,9
FC	145,7	30.01.2017	112,8	28.02.2017	125,6

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 54% of total liabilities of the Group (December 31, 2016 – 52%) 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

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	5.461.881	8.635.590	-	-	-	-	-	14.097.471
Due from Banks	280.989	398.601	2.073	8.317	-	-	-	689.980
Financial Assets at Fair Value Through Profit/Loss ⁽²⁾	-	410.701	513.839	1.722.462	3.213.665	251.701	-	6.112.368
Money Market Placements	-	491.494	-	-	-	-	-	491.494
Investment Securities Available for Sale	56.855	298	324	780.618	2.089.409	4.275.798	-	7.203.302
Loans and Receivables	-	12.131.247	6.367.798	20.255.656	22.908.768	6.628.139	584.416	68.876.024
Investment Securities Held to Maturity	-	52.234	-	199.433	2.347.609	4.033.505	-	6.632.781
Other Assets	1.945	1.646.823	394.612	1.093.596	2.173.788	90.501	2.635.130	8.036.395
Total Assets	5.801.670	23.766.988	7.278.646	24.060.082	32.733.239	15.279.644	3.219.546	112.139.815
Liabilities								
Bank Deposits	464.342	4.351.047	692.042	31.136	-	-	-	5.538.567
Other Deposits	11.371.326	30.701.053	9.596.330	2.891.920	172.970	-	-	54.733.599
Funds Borrowed	-	1.173.650	2.831.215	8.506.785	4.066.085	146.205	-	16.723.940
Money Market Borrowings	-	2.419.740	378.233	976.503	156.150	771.016	-	4.701.642
Securities Issued	-	907.877	932.487	1.927.018	2.801.728	60.466	-	6.629.576
Sundry Creditors	-	3.326.628	225.525	1.051.526	1.872.256	91.307	-	6.567.242
Other Liabilities ⁽³⁾	-	1.877.860	567.394	575.316	1.209.945	445.054	12.569.680	17.245.249
Total Liabilities	11.835.668	44.757.855	15.223.226	15.960.204	10.279.134	1.514.048	12.569.680	112.139.815
Liquidity Gap	(6.033.998)	(20.990.867)	(7.944.580)	8.099.878	22.454.105	13.765.596	(9.350.134)	-
Net Off- Balance Sheet Position ⁽⁴⁾								
Receivables from financial derivative instruments	-	18.993.656	14.155.790	21.309.836	26.658.634	7.214.895	-	88.332.811
Liabilities from derivative financial instruments	-	19.017.832	14.384.386	20.093.191	25.121.164	7.195.756	-	85.812.329
Non Cash Loans ⁽⁵⁾	-	517.237	1.042.644	4.863.600	1.220.334	283.842	6.853.566	14.781.223
Prior period								
Total Assets	4.282.532	25.559.000	7.212.351	21.682.278	28.376.477	14.014.655	3.198.541	104.325.834
Total Liabilities	9.358.456	43.573.109	13.557.037	13.023.285	11.245.832	1.454.395	12.113.720	104.325.834
Liquidity Gap	(5.075.924)	(18.014.109)	(6.344.686)	8.658.993	17.130.645	12.560.260	(8.915.179)	-
Net Off- Balance Sheet Position ⁽⁴⁾								
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
Non Cash Loans	-	682.951	1.432.264	4.438.990	2.025.020	325.772	4.279.013	13.184.010

- (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 10.949.885, unallocated provisions and deferred tax liability amounting to TL 1.732.019.
- (2) Financial Assets at Fair Value Through Profit/Loss include derivative financial assets held for hedging purposes amounting to TL 3.236.269.
- (3) Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 383.116.
- (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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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 6,08% (December 31, 2016: 6,28%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

	Current Period ^(**)	Prior Period ^(**)
1 Total asset amount in consolidated financial statements prepared in accordance with TFRS ^(*)	108.975.792	101.293.023
2 Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	313.341	381.390
3 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	906.216	773.474
4 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	-	-
5 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of off balance transactions	59.080.713	55.119.905
6 Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	(343.255)	(335.210)
7 Total Risk Amount	168.932.807	157.232.582

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

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

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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 (*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	102.752.255	96.302.179
(Assets deducted from capital stock)	343.255	335.210
Total risk amount related to Assets on Balance sheet	102.409.000	95.966.969
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	6.536.878	5.372.234
Potential credit risk amount of derivative financial instruments and credit derivatives	906.216	773.474
Total risk amount related to derivative financial instruments and credit derivatives	7.443.094	6.145.708
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	-	-
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	60.020.304	55.725.410
(Adjustment amount sourcing from multiplying to credit conversion rates)	(939.591)	(605.505)
Total risk amount related to off-balance sheet transactions	59.080.713	55.119.905
Capital and Total Risk		
Core Capital	10.266.535	9.867.630
Amount of total risk	168.932.807	157.232.582
Financial leverage ratio	6,08%	6,28%
Financial leverage ratio	6,08%	6,28%

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated Assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	588.854	295.373	685.252	376.428
T.R. Central Bank	2.670.472	10.512.732	1.244.513	10.795.316
Others	21.934	8.106	96	2.279
Total	3.281.260	10.816.211	1.929.861	11.174.023

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	946.029	1.877.142	1.244.513	1.697.337
Restricted Time Deposits	1.724.443	8.635.590	-	9.097.979
Total	2.670.472	10.512.732	1.244.513	10.795.316

As of March 31, 2017, 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, 2016 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on the maturity of deposits and other liabilities (December 31, 2016 – 4,5% and 24,5%). 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	38.362	256	23.752	2.831
Subject to repurchase agreement	14.335	519	7.092	-
Total	52.697	775	30.844	2.831

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	60.224	-	106.629	-
Swap Transactions	2.424.418	172.177	2.464.878	144.158
Futures	-	197	-	388
Options	1.541	51.674	3.393	54.465
Other	-	-	-	-
Total	2.486.183	224.048	2.574.900	199.011

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3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	36.425	19.465	26.882	1.726
Foreign	516	633.574	21.268	262.190
Foreign Head Offices and Branches	-	-	-	-
Total	36.941	653.039	48.150	263.916

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount ^(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	427.344	141.028	12.907	12.409
USA and Canada	150.308	69.269	37.520	36.234
OECD Countries ^(*)	2.885	1.586	-	-
Off-shore Banking Regions	-	20.948	-	-
Other	3.126	1.984	-	-
Total	583.663	234.815	50.427	48.643

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

^(**) Includes blocked placements amounting to TL 50.427 at foreign banks (December 31, 2016 - TL 48.643) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TP	YP	TP	YP
Domestic Transactions	100.032	-	1.300.605	-
T.R. Central Bank	-	-	-	-
Banks	100.032	-	1.300.605	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	100.032	-	1.300.605	-

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	406.038	906.695	252.663	807.931
Subject to repurchase agreements	498.824	2.060.068	1.017.007	2.003.627
Total	904.862	2.966.763	1.269.670	2.811.558

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b) Investment securities available for sale

	Current Period	Prior Period
Debt securities	7.309.064	7.250.707
Quoted on a stock exchange (*)	7.309.064	7.250.707
Unquoted on a stock exchange	-	-
Share certificates	57.259	49.457
Quoted on a stock exchange	27	27
Unquoted on a stock exchange(**)	57.232	49.430
Impairment provision (-)	(163.021)	(268.051)
Total	7.203.302	7.032.113

(*) The Eurobond Portfolio amounting to TL 1.885.414 (December 31, 2016 - TL 1.773.444) 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.

(**) It includes 11.695 Type C Visa Inc shares transferred to Main Partner 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	-	-	1.179	-
Corporate Shareholders	-	-	1.179	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	76.348	-	80.379	-
Total	76.348	-	81.558	-

(*) Includes advances given to the bank personnel.

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

	Performing Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables(Total)	Loans and Receivables with Revised Contract Terms	Extension of Repayment Plan	Loans and Other Receivables(Total)	Loans and Receivables with Revised Contract Terms	Extension of Repayment Plan
Cash Loans(*)			Other			Other
Non-specialized Loans	63.945.397	1.313.694	-	4.364.799	1.925.742	-
Discount Notes	735.679	-	-	3.568	-	-
Export Loans	1.713.791	-	-	264.248	-	-
Import Loans	15.883	-	-	-	-	-
Loans Given to Financial Sector	740.869	-	-	-	-	-
Retail Loans	13.508.961	248.286	-	738.146	248.680	-
Credit Cards	8.878.579	236.181	-	402.174	134.895	-
Other	38.351.635	829.227	-	2.956.663	1.542.167	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	63.945.397	1.313.694	-	4.364.799	1.925.742	-

(*) The loans and other receivables amounting to TL 18.588 (December 31, 2016 – TL 22.971) are classified under “Loans at Fair Value Through Profit/Loss” in the financial statements.

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No. of Extensions	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	1.278.241	1.868.669
3, 4 or 5 times	31.750	50.188
Over 5 times	3.703	6.885
Total	1.313.694	1.925.742

Extension Periods	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0 - 6 months	329.146	289.619
6 -12 months	37.275	87.277
1 - 2 years	143.393	156.617
2 - 5 years	505.535	744.207
5 years and over	298.345	648.022
Total	1.313.694	1.925.742

c) Loans according to their maturity structure

Cash Loans ^(*)	Performing Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	24.763.693	236.181
Non-specialized Loans	24.763.693	236.181
Specialized Loans	-	-
Other Receivables	-	-
Medium and Long-term Loans	39.181.704	1.077.513
Non-specialized Loans	39.181.704	1.077.513
Specialized Loans	-	-
Other Receivables	-	-
Total	63.945.397	1.313.694

(*) The loans and other receivables amounting to TL 18.588 (December 31, 2016 – TL 22.971) 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
Consumer Loans-TL	336.917	12.478.006	12.814.923	148.611
Housing Loans	1.157	4.905.197	4.906.354	65.752
Automobile Loans	196	23.064	23.260	191
Personal Need Loans	335.560	7.549.745	7.885.305	82.668
Other	4	-	4	-
Consumer Loans-FC Indexed	-	6.996	6.996	11.440
Housing Loans	-	6.708	6.708	10.876
Automobile Loans	-	-	-	-
Personal Need Loans	-	288	288	564
Other	-	-	-	-
Consumer Loans-FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Individual Credit Cards-TL	7.148.879	395.779	7.544.658	80.104
Installment	2.563.303	395.779	2.959.082	31.434
Non- Installment	4.585.576	-	4.585.576	48.670
Individual Credit Cards-FC	3.011	-	3.011	19
Installment	-	-	-	-
Non- Installment	3.011	-	3.011	19
Personnel Loans-TL	6.490	40.151	46.641	266
Housing Loans	-	551	551	3
Automobile Loans	-	-	-	-
Personal Need Loans	6.490	39.600	46.090	263
Other	-	-	-	-
Personnel Loans-FC Indexed	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Personnel Loans-FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Personnel Credit Cards-TL	27.062	-	27.062	42
Installment	10.631	-	10.631	-
Non-Installment	16.431	-	16.431	42
Personnel Credit Cards-FC	59	-	59	-
Installment	-	-	-	-
Non-Installment	59	-	59	-
Overdraft Accounts-TL (Real Persons)	1.141.784	-	1.141.784	76.446
Overdraft Accounts-FC (Real Persons)	-	-	-	-
Total	8.664.202	12.920.932	21.585.134	316.928

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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
Commercial Loans with Installment Facility – TL	681.587	14.958.454	15.640.041	316.513
Real Estate Loans	-	325.409	325.409	8.580
Automobile Loans	3.274	192.973	196.247	3.668
Personal Need Loans	678.313	14.440.072	15.118.385	304.265
Other	-	-	-	-
Commercial Loans with Installment Facility - FC Indexed	9.725	1.197.502	1.207.227	381.330
Real Estate Loans	-	27.773	27.773	12.177
Automobile Loans	491	68.622	69.113	16.565
Personal Need Loans	9.234	1.101.107	1.110.341	352.588
Other	-	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-	-
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards –TL	1.596.610	11.401	1.608.011	17.020
Installment	447.867	11.401	459.268	4.861
Non-Installment	1.148.743	-	1.148.743	12.159
Corporate Credit Cards –FC	762	-	762	5
Installment	-	-	-	-
Non-Installment	762	-	762	5
Overdraft Accounts-TL (Legal Entities)	848.090	-	848.090	6.289
Overdraft Accounts-FC (Legal Entities)	-	-	-	-
Total	3.136.774	16.167.357	19.304.131	721.157

f) Loans according to borrowers (*)

	Current Period	Prior Period
Public	256.563	248.823
Private	68.053.633	61.765.856
Total	68.310.196	62.014.679

(*) The loans and other receivables amounting to TL 18.588 (December 31, 2016 – TL 22.971) are classified under “Loans at Fair Value Through Profit/Loss” in the financial statements.

g) Domestic and foreign loans (*)

	Current Period	Prior Period
Domestic Loans	67.964.918	61.732.410
Foreign Loans	345.278	282.269
Total	68.310.196	62.014.679

(*) The loans and other receivables amounting to TL 18.588 (December 31, 206 – TL 22.971) 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

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	74.512	73.566
Loans and Receivables with Doubtful Collectability	286.368	328.113
Uncollectible Loans and Receivables	3.168.865	2.850.084
Total	3.529.745	3.251.763

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
(Gross Amounts Before the Specific Provisions)	581	1.478	88.449
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	581	1.478	88.449
Prior Period			
(Gross Amounts Before the Specific Provisions)	735	2.756	70.212
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	735	2.756	70.212

j.2) Movement of non-performing loans ^(*):

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period End Balance	367.839	656.224	2.850.085
Additions (+)	406.917	12.731	52.208
Transfers from Other Categories of Non-Performing Loans (+)	-	356.794	409.636
Transfers to Other Categories of Non-Performing Loans (-)	356.794	409.636	-
Collections (-)	45.402	43.377	143.049
Write-offs (-) ^(*)	-	-	15
Corporate and Commercial Loans	-	-	15
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	372.560	572.736	3.168.865
Specific Provision (-)	74.512	286.368	3.168.865
Net Balances on Balance Sheet	298.048	286.368	-

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

None (December 31, 2016 – None).

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivable
Current Period (Net)	298.048	286.368	-
Loans to Real Persons and Legal Entities (Gross)	372.560	572.736	3.142.856
Specific provision (-)	(74.512)	(286.368)	(3.142.856)
Loans to Real Persons and Legal Entities (Net)	298.048	286.368	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	26.009
Specific provision (-)	-	-	(26.009)
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	294.273	328.112	-
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)	-	-	-

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	669.280	62.280	669.607	52.491
Medium and Long Term	25.406	-	28.872	-
Total	694.686	62.280	698.479	52.491

As of March 31, 2017 and March 31, 2016, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	20.825	26.084
Provided Provision / (reversal), Net	3.237	2.142
Collections	(1.046)	(74)
Current Period End Balance	23.016	28.152

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	158.290	181.278	566.844	125.217
Subject to repurchase agreements	225.386	2.794.950	490.816	2.319.421
Total	383.676	2.976.228	1.057.660	2.444.638

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	3.457.094	2.136.613	3.383.952	1.471.352
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	461.013	-	444.242
Total	3.457.094	2.597.626	3.383.952	1.915.594

c) Information on investment securities held-to-maturity

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	3.457.094	3.175.687	3.383.952	2.516.555
Publicly-traded	3.457.094	3.175.687	3.383.952	2.516.555
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	3.457.094	3.175.687	3.383.952	2.516.555

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d) Movement of held-to-maturity investments

	Current Period	Prior Period
Value at the beginning of the period	5.900.507	3.873.914
Exchange differences on monetary assets	71.804	369.033
Acquisitions during the year	683.036	1.478.607
Disposals through sales and redemptions	(87.841)	-
Provision for losses (-)	-	-
Valuation Effect	65.275	178.953
The sum of end of the period	6.632.781	5.900.507

9. Investments in associates (Net)

9.1. Investments in associates

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

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

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

9.2. Movements of investments in associates

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

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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
Total	3.766	3.766

9.4. Quoted Associates

None (December 31, 2016 - 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	-	-
Total	3.766	3.766

9.6. Investments in associates sold during the current period

None (December 31, 2016 - 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.	49.312	27.427	16.445	-	-	3.356	(1.435)	-
2.	10.997	4.327	6.049	-	-	794	1.083	-

(*) Current year information is based on March 31, 2017 financials. Prior year profit and loss amounts are based on March 31, 2016 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	100,00
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

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.	287.060	128.137	3.222	4.990	459	3.922	1.572	75.091
2.	3.205.610	696.906	3.620	63.731	-	29.155	13.795	472.100
3.	25.422	24.145	4.337	1.039	-	(1.456)	(518)	-
4.	13.319	12.188	137	346	-	(121)	19	-
5.	775.902	69.209	1.400	27.792	-	3.517	1.791	65.350

^(*) Fair values of publicly traded subsidiaries reflect their Borsa Istanbul (BIST) values as of the balance sheet date.

b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	647.572	324.954
Movements during the Period	(6.635)	322.618
Purchases ^(*)	-	248.078
Bonus Shares Received ^(**)	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	(6.635)	74.540
Impairment Provision	-	-
Balance at the End of the Period	640.937	647.572
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

^(*)The Parent Bank has purchased 3.434.632 shares having a total nominal value of TL 34.346 and owned by NBG and equivalent to 29,87% of paid capital of Finans Finansal Kiralama A.Ş. which is one of its subsidiaries with a consideration amounting to TL 128.112 from NBG and 2.068.528 shares having a nominal value of TL 20.685 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17,99% of its paid capital with a consideration amounting to TL 77.570 from Finans Yatırım A.Ş. in 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.

b.3) Sectoral distribution of the consolidated subsidiaries

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	65.350	64.358
Leasing Companies	472.100	478.959
Finance Companies	28.395	28.395
Other Subsidiaries	75.092	75.860
Total	640.937	647.572

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

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b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	472.100	478.959
Quoted on International Stock Exchanges	-	-
Total	472.100	478.959

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

None.

11. Investments in entities under common control

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

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	1.021.159	91.032	684.465	-	-	31.097	15.066	126.643
2.	48.973	27.121	26.970	-	-	6.302	7.495	-

12. Information on finance lease receivables (Net)

12.1. Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.210.094	996.997	1.156.685	958.274
Between 1-4 years	1.956.679	1.691.108	1.717.199	1.474.143
Over 4 years	311.752	288.643	276.577	253.860
Total	3.478.525	2.976.748	3.150.461	2.686.277

Finance lease receivables include non-performing finance lease receivables amounting to TL 133.748 (December 31, 2016 – TL 179.285) and specific provisions amounting to TL 63.009 (December 31, 2016 – TL 114.477).

Changes in non-performing finance lease receivables provision as of March 31, 2017 and March 31, 2016, are as follows:

	Current Period	Prior Period
End of prior period	114.477	74.316
Provided provision / (reversal), Net	6.677	8.326
Collections	(4.839)	(578)
Written-off	(53.306)	-
Provision at the end of the period	63.009	82.064

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12.2. Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	3.478.525	3.150.461
Unearned Finance Income (-)	(501.777)	(464.184)
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	2.976.748	2.686.277

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.

13. Information on hedging purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	2.318.955	26.100	2.346.595	18.509
Cash Flow Hedge(**)	874.357	16.857	1.063.182	15.052
Net Investment Hedge	-	-	-	-
Total	3.193.312	42.957	3.409.777	33.561

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of March 31, 2017, TL 14.789 (December 31, 2016 - TL 14.060) from securities, TL 7.312. (December 31, 2016 - TL 3.151) from securities issued, TL 3.999 (December 31, 2016 - 1.298) from funds borrowed, and TL 2.318.955 (December 31, 2016 - TL 2.346.595) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans.

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

14. Explanations on investment property

None (December 31, 2016- None).

15. 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 37.177 (December 31, 2016 – TL 66.967) and there is no deferred tax liability (December 31, 2016- 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.

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The deferred tax assets amounting to TL 56.898 are netted under equity. (December 31, 2016 – TL 105.701 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Provision for Employee Rights	231.340	295.428	46.268	59.086
Difference Between the Book Value of Financial Assets and Tax Base	504.423	503.152	100.885	100.630
Other	875.088	798.914	175.018	159.783
Deferred Tax Assets			322.171	319.499
Difference Between the Book Value Financial Fixed Assets and Tax Base	(202.548)	(205.128)	(40.510)	(41.026)
Difference Between the Book Value of Financial Assets and Tax Base	(879.689)	(799.389)	(175.938)	(159.878)
Other	(342.729)	(258.139)	(68.546)	(51.628)
Deferred Tax Liabilities			(284.994)	(252.532)
Deferred Tax Assets/(Liabilities), Net			37.177	66.967

	Current Period	Prior Period
	01.01-31.03.2017	01.01-31.03.2016
Deferred Tax as of January 1 Asset/ (Liability)- Net	66.967	100.943
Deferred Tax (Loss) / Gain	19.013	(40.381)
Deferred Tax that is Realized Under Shareholder's Equity	(48.803)	983
March 31 Deferred Tax Asset/ (Liability) - Net	37.177	61.545

16. Information on assets held for sale and discontinued operations

As of March 31, 2017, the Parent Bank does not have any assets held for sale (December 31, 2016: None).

17. Information on other assets:

17.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Other Prepaid Expenses	558.371	468.158
Collateral Given for Derivative Transactions	438.156	401.899
Assets Held for Resale (net)	429.309	367.420
Cheques Receivables from Other Banks	307.168	212.792
Miscellaneous Receivables	115.262	105.524
Prepaid rent expenses	35.649	34.200
Advances Given	12.395	2.749
Prepaid Agency Commissions	2.719	3.083
Other	82.627	57.129
Total	1.981.656	1.652.954

17.2 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 17.1 section of disclosure.

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18. 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	3.193.312	42.957	3.409.777	33.561
Assets on Trading Derivatives	2.486.183	224.048	2.574.900	199.011
Loans	747.334	278.782	708.533	215.444
Investment securities held to maturity	84.884	36.000	68.347	28.291
Investment Securities Available for Sale	26.047	(81.713)	(23.660)	(181.297)
Central Bank	20.284	-	14.264	13
Lease Receivables	10.584	8.462	10.001	6.762
Banks	1.904	9	1.663	4
Trading Securities	489	50	583	(387)
Other Accruals	27.849	1.149	19.207	1.057
Total	6.598.870	509.744	6.783.615	302.459

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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
Saving Deposits	2.499.807	-	2.605.761	13.240.536	720.050	369.163	903.258	2.705	20.341.280
Foreign Currency									
Deposits	5.344.123	-	2.206.870	13.276.943	1.550.826	711.747	526.421	341	23.617.271
Residents in Turkey	5.239.813	-	2.187.315	13.001.213	1.493.360	687.428	473.618	307	23.083.054
Residents Abroad	104.310	-	19.555	275.730	57.466	24.319	52.803	34	534.217
Public Sector Deposits	251.170	-	1.581	21.778	6.803	-	156	-	281.488
Commercial Deposits	2.366.428	-	2.037.538	3.165.874	324.572	533.989	423.619	-	8.852.020
Other Ins. Deposits	38.781	-	55.664	251.185	29.644	305.896	15.629	-	696.799
Precious Metal Deposits	871.017	-	-	3.416	810	3.408	66.090	-	944.741
Bank Deposits	464.342	-	2.315.840	2.501.357	177.675	77.155	2.198	-	5.538.567
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	9.802	-	2.161.984	318.037	-	-	2.198	-	2.492.021
Foreign Banks	25.449	-	153.856	2.183.320	177.675	77.155	-	-	2.617.455
Participation Banks	429.091	-	-	-	-	-	-	-	429.091
Other	-	-	-	-	-	-	-	-	-
Total	11.835.668	-	9.223.254	32.461.089	2.810.380	2.001.358	1.937.371	3.046	60.272.166

Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.518.720	-	2.909.327	14.654.307	459.007	277.111	783.479	2.809	21.604.760
Foreign Currency	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
Public Sector Deposits	76.394	-	6.906	42.448	551	6.229	167	-	132.695
Commercial Deposits	2.124.465	-	1.938.824	3.802.561	67.461	295.276	120.558	-	8.349.145
Other Ins. Deposits	34.809	-	153.418	496.379	15.849	385.758	16.699	-	1.102.912
Precious Metal Deposits	717.286	-	-	1.324	1.669	1.444	56.705	-	778.428
Bank Deposits	136.155	-	200.082	1.517.852	66.711	50.041	2.144	-	1.972.985
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	9.005	-	15.734	242.252	-	2.146	2.144	-	271.281
Foreign Banks	17.936	-	184.348	1.275.600	66.711	47.895	-	-	1.592.490
Participation Banks	109.214	-	-	-	-	-	-	-	109.214
Other	-	-	-	-	-	-	-	-	-
Total	9.358.456	-	6.846.989	33.324.191	1.444.492	1.414.317	1.473.677	3.127	53.865.249

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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	11.147.153	11.407.962	9.193.484	10.196.172
Foreign Currency Savings Deposits	3.765.883	2.822.431	13.528.596	11.965.439
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	14.913.036	14.230.393	22.722.080	22.161.611

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	6.052	51.038
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	42.174	41.646
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	48.226	92.684

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	82.901	-	199.244	-
Swaps	2.211.134	148.371	2.187.607	163.987
Futures	-	227	-	334
Options	1.352	34.181	168	50.376
Other	-	-	-	-
Total	2.295.387	182.779	2.387.019	214.697

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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	634.023	497.913	435.660	648.879
Foreign Banks, Institutions and Funds	96.008	12.115.619	109.792	9.969.214
Total	730.031	12.613.532	545.452	10.618.093

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	400.745	4.515.961	373.918	3.591.389
Medium and Long-Term	329.286	8.097.571	171.534	7.026.704
Total	730.031	12.613.532	545.452	10.618.093

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

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

As of March 31, 2017, the Group's liabilities comprise; 54% deposits (December 31, 2016 – 52%), 12% funds borrowed (December 31, 2016 – 11%), 6% issued bonds (December 31, 2016 – 6%) and 4% funds provided under repurchase agreements (December 31, 2016 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	712.008	-	1.493.621	-
Financial institutions and organizations	684.902	-	1.465.707	-
Other institutions and organizations	10.613	-	10.315	-
Real persons	16.493	-	17.599	-
From foreign transactions	9.850	3.876.435	8.413	3.519.709
Financial institutions and organizations	-	3.876.435	-	3.519.709
Other institutions and organizations	9.850	-	8.413	-
Real persons	-	-	-	-
Total	721.858	3.876.435	1.502.034	3.519.709

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5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1.872.676	243.786	1.749.202	53.683
Bills	71.347	4.441.767	112.064	4.416.628
Total	1.944.023	4.685.553	1.861.266	4.470.311

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, 2016 – 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, 2016 – 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 Parent 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, 2016 – None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge ^(*)	1.626	188.556	-	190.559
Cash Flow Hedge ^(**)	152.184	40.750	196.239	39.930
Net Investment Hedge	-	-	-	-
Total	153.810	229.306	196.239	230.489

^(*) Derivative financial instruments for hedging purposes include swaps. As of March 31, 2017, TL 28.072 (December 31, 2016 – TL 27.211) represents the fair value of derivatives which are the hedging instruments of hedged loan portfolio, TL 2.311 TL represents borrowings (December 31, 2016-None), TL 159.799 (December 31, 2016 –TL 163.348) represents the securities. As of March 31, 2017, fair value of derivatives which are hedging instruments of hedged borrowings is none (December 31, 2016–None).

^(**) 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

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	968.509	967.669
-Additional Provision for Loans and Receivables with Extended Maturities	44.261	50.911
Provisions for Loans and Receivables in Group II	185.257	181.934
-Additional Provision for Loans and Receivables with Extended Maturities	53.791	49.750
Provisions for Non - Cash Loans	109.495	99.685
Other	51.897	39.124
Total	1.315.158	1.288.412

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

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans ^(*)	7.960	438

(*) 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 43.934 (December 31, 2016 - TL 41.241).

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 March 31, 2017, TL 147.189 (December 31, 2016 - TL 144.405) reserve for employee termination benefits was provided in the accompanying financial statements.

As of March 31, 2017, the Group accrued TL 46.115 (December 31, 2016 - TL 42.565) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of March 31, 2017, TL 38.036 (December 31, 2016 – TL 108.458) 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

	Current Period	Prior Period
	01.01-31.03.2017	01.01-31.03.2016
As of January 1	144.405	130.051
Service cost	4.850	4.728
Interest Cost	3.990	3.476
Settlement / curtailment / termination loss	4.429	3.801
Actuarial differences	-	-
Paid during the period	(10.485)	(8.565)
Total	147.189	133.491

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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:

	Current Period	Prior Period
Other Provision for Closely Monitored Loans ^(*)	4.598	39.901
Provision for Promotion Expenses of Credit Cards	6.979	7.707
General Reserves for Possible Risks	-	-
Other Provisions	130.010	122.063
Total	141.587	169.671

(*) As at March 31, 2017, the Parent Bank has made a provision for watch list loans amounting to TL 4.598 (December 31, 2016 - TL 39.901) based on collection rates for subject loans.

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of March 31, 2017, the Group has current tax liability of TL 226.420 (December 31, 2016 - TL 208.292) and advance taxes of TL 23.677 (December 31, 2016 - TL 10.194).

The current tax liability and the advance taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of March 31, 2017, after the offsetting, the current tax liability amounting to TL 202.743 (December 31, 2016 - TL 198.098) is disclosed with current tax receivable TL 3.872 (December 31, 2016 - TL 4.737).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	202.743	198.098
Banking and Insurance Transaction Tax (BITT)	40.681	42.253
Taxation on Securities Income	2.966	2.013
Taxation on Real Estates Income	52.713	52.974
VAT Payable	553	167
Other	48.349	28.119
Total	348.005	323.624

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

10.1.3 Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	20.110	16.523
Social Security Premiums - Employer Share	11.680	17.711
Pension Fund Fee and Provisions - Employee Share	8	13
Pension Fund Fee and Provisions - Employer Share	27	42
Unemployment Insurance - Employee Share	745	1.164
Unemployment Insurance - Employer Share	1.487	2.320
Other	29	21
Total	34.086	37.794

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11. Information on payables related to assets held for sale

None. (December 31, 2016- None)

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	3.380.377	-	3.235.793
From Other Foreign Institutions	-	-	-	-
Total	-	3.380.377	-	3.235.793

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	3.150.000
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.

None (December 31, 2016- TL 150.000).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2016 - 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, 2016 - None).

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

None (December 31, 2016 - None).

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14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	31.500.000	31.500.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums ^(*)	714	714
Common Stock Withdrawal Profits	-	-

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

15. Marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control				
Valuation Differences	-	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
Securities Available-for-Sale	(16.236)	(263.782)	(40.675)	(379.478)
Valuation Differences	(16.236)	(263.782)	(40.675)	(379.478)
Foreign Exchange Rate Differences	-	-	-	-
Total	(16.236)	(263.782)	(40.675)	(379.478)

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	212.410	37.218	207.471	29.298
Derivative Financial Liabilities Held for Trading	2.295.387	182.779	2.387.019	214.697
Funds Borrowed	12.069	154.300	5.337	80.606
Money Market Borrowings	215	8.445	1.293	8.699
Derivative Financial Liabilities Held for Hedging	153.810	229.306	196.239	230.489
Issued Securities	1.347	82.895	2.064	40.054
Other Accruals	152.976	259	94.879	125
Total	2.828.214	695.202	2.894.302	603.968

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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	20.995.772	19.365.124
Credit Cards Limit Commitments	16.634.956	16.396.189
Forward Asset Purchase Commitments	3.199.288	1.216.540
Payment Commitments for Cheques	2.798.454	2.707.388
Other Irrevocable Commitments	1.653.973	1.580.388
Capital commitments of associates and subsidiaries	30.000	30.000
Commitments for promotions related with credit cards and banking activities	25.598	19.721
Tax and Fund Liabilities due to Export Commitments	10.694	10.267
Total	45.348.735	41.325.617

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 43.934 (December 31, 2016 – TL 41.241) 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	1.842.679	1.255.477
Letters of Credit	1.280.533	1.121.818
Other Guarantees	-	-
Total	3.123.212	2.377.295

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

	Current Period	Prior Period
Provisional Letters of Guarantee	1.098.682	719.081
Final Letters of Guarantee	5.286.962	5.179.891
Advance Letters of Guarantee	701.903	500.730
Letters of Guarantee Given to Customs Offices	338.311	347.024
Other Letters of Guarantee	4.232.153	4.059.989
Total	11.658.011	10.806.715

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	1.123.262	1.116.069
Less Than or Equal to One Year with Original Maturity	234.211	256.881
More Than One Year with Original Maturity	889.051	859.188
Other Non-Cash Loans	13.657.961	12.067.941
Total	14.781.223	13.184.010

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	36.206	0,48	2.790	0,04	34.061	0,47	6.774	0,11
Farming and Raising Livestock	33.005	0,43	-	-	32.713	0,46	265	-
Forestry	683	0,01	-	-	251	-	-	-
Fishing	2.518	0,03	2.790	0,04	1.097	0,02	6.509	0,11
Manufacturing	1.045.263	13,71	3.896.689	54,43	1.047.136	14,60	2.993.067	49,78
Mining and Quarrying	49.089	0,64	39.010	0,54	49.329	0,69	32.428	0,54
Production	837.580	10,99	3.302.789	46,13	836.199	11,66	2.381.804	39,61
Electricity, gas and water	158.594	2,08	554.890	7,75	161.608	2,25	578.835	9,63
Construction	2.599.873	34,11	868.283	12,13	2.243.853	31,29	807.527	13,43
Services	3.842.742	50,42	2.335.116	32,62	3.748.165	52,27	2.155.411	35,85
Wholesale and Retail Trade	2.324.402	30,50	900.750	12,58	2.186.915	30,50	876.553	14,58
Hotel, Food and Beverage Services	75.621	0,99	80.462	1,12	101.628	1,42	84.316	1,40
Transportation&Communication	185.217	2,43	193.534	2,70	182.535	2,55	212.038	3,53
Financial Institutions	734.982	9,64	793.410	11,08	753.766	10,51	726.130	12,08
Real Estate and Renting Services	10.659	0,14	359	0,01	3.484	0,05	2.114	0,04
Self Employment Services	236.305	3,10	46.060	0,64	257.428	3,59	46.888	0,78
Educational Services	5.433	0,07	-	-	5.747	0,08	-	-
Health and Social Services	270.123	3,54	320.541	4,48	256.662	3,58	207.372	3,45
Other	97.717	1,28	56.544	0,79	97.791	1,36	50.225	0,84
Total	7.621.801	100,00	7.159.422	100,00	7.171.006	100,00	6.013.004	100,00

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

	I. Group		II. Group	
Current Period ^(*)	TL	FC	TL	FC
Letters of Guarantee	7.366.165	3.941.362	203.732	102.818
Bill of Exchange and Acceptances	16.472	1.826.050	-	157
Letters of Credit	-	1.275.989	-	4.544
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	7.382.637	7.043.401	203.732	107.519

^(*) Does not include non-cash loans amounting to TL 43.934, for which provision is provided, but which are not indemnified and not liquidated yet.

	I. Group		II. Group	
Prior Period ^(*)	TL	FC	TL	FC
Letters of Guarantee	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	-	-	-	-
Non-cash Loans	6.951.524	5.893.408	187.530	110.307

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

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5. Information related to derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	113.515.046	99.583.814
Forward transactions (*)	9.876.031	11.595.988
Swap transactions	96.041.751	78.323.566
Futures transactions	130.008	74.460
Option transactions	7.467.256	9.589.800
Interest Related Derivative Transactions (II)	16.869.280	16.261.062
Forward rate transactions	-	-
Interest rate swap transactions	16.869.280	16.261.062
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	909.650	882.950
A. Total Trading Derivative Transactions (I+II+III)	131.293.976	116.727.826
Types of hedging transactions		
Fair value hedges	15.762.056	15.094.984
Cash flow hedges	30.288.396	22.704.240
Net investment hedges	-	-
B. Total Hedging Related Derivatives	46.050.452	37.799.224
Total Derivative Transactions (A+B)	177.344.428	154.527.050

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

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

	Forward Buy (**)	Forward Sell (**)	Swap Buy (*)	Swap Sell (*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current Period									
TL	2.325.286	1.800.235	24.924.949	40.728.741	1.633.957	1.953.629	-	-	-
USD	1.668.183	2.797.225	48.477.477	32.429.154	1.526.588	1.563.279	65.004	65.004	909.650
Euro	880.837	276.848	5.752.855	4.566.862	565.024	220.694	-	-	-
Other	62.322	65.095	2.030.823	50.622	2.200	1.885	-	-	-
Total	4.936.628	4.939.403	81.186.104	77.775.379	3.727.769	3.739.487	65.004	65.004	909.650

(*) This column also includes hedging purpose derivatives.

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

	Forward Buy (**)	Forward Sell (**)	Swap Buy (*)	Swap Sell (*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TL	2.830.861	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	-	-	-
Total	5.759.593	5.836.395	68.108.733	64.275.119	4.757.762	4.832.038	37.230	37.230	882.950

(*) This column also includes hedging purpose derivatives.

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

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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 3.333.414 (December 31, 2016 – TL 3.532.426) were subject to hedge accounting by swaps with a nominal of TL 3.495.548 (December 31, 2016 – TL 3.456.411). On March 31, 2017 the net market valuation difference gain amounting to TL 13.402 due to the gain from the loans amounting to TL 12.543 (March 31, 2016 – TL 100.168 gain) loss, from swaps amounting to TL 25.944 (March 31, 2016 – TL 85.307 loss) gain is accounted for under “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 174.068 (December 31, 2016 – TL 168.103) have been subject to hedge accounting with swaps with a nominal amount of TL 166.197 (December 31, 2016 – TL 160.939). In 2017 TL 1.653 net fair valuation difference loss, net of TL 744 (March 31, 2016 – TL 2.582 gain) loss from loans and TL 908 (March 31, 2016 – TL 1.813 loss) loss from swaps has been recorded under “Gains / (loss) 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 2.289 (March 31, 2016 – TL 239) related to the loans that are ineffective for hedge accounting under “gain / (loss) 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 Parent 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, 2016 – USD 378,7 million and EUR 75,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On March 31, 2017, the net market valuation difference loss amounting to TL 42 due to gain from Eurobonds amounting to TL 205 (March 31, 2016 – TL 64.128 gain) and loss from swaps amounting to TL 247 (March 31, 2016 – TL 65.629 loss) is accounted for under “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period. December 31, 2016 – 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, 2016 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of March 31, 2017, TL 101 net fair valuation difference gain, net of TL 2.143 (March 31, 2016 – TL 7.420 loss) gain from issued bonds and TL 2.042 (March 31, 2016 – TL 5.329 gain) loss from swaps, has been recorded under “Gain / (loss) from financial derivatives transactions” on accompanying financial statements.

Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the TL bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of TL 66.879 (December 31, 2016 – None) have been subject to hedge accounting with the TL 73.781 nominal amount of swaps. As of March 31, 2017, TL 23 net fair valuation difference loss, net of TL 2 (March 31, 2016 – None) gain from issued bonds and TL 25 (March 31, 2016 – None) loss from swaps, has been recorded under “Gain/ (loss) 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 Partner Bank has recognized a cumulative amount of TL 338.114 fair value exchange difference income (March 31, 2016 – TL 58.741) whose TL 39.690 portion is a fair value exchange difference expense in current period from aforementioned immovable. The aforementioned exchange difference income will be amortized through the economic life of immovable which is the subject of hedging.

e) Borrowings

The Parent 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, 2016- EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference loss at an amount of TL 7 (March 31, 2016- TL 185 loss) sourcing from gain at an amount of TL 437 (March 31, 2016 – TL 2.128 loss) from aforementioned credit and loss at an amount of TL 444 (March 31, 2016 – TL 1.943 gain) from swaps is recognized under “Gain/loss from Derivative Financial Transactions.”

Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate TL credits used. Credit at an amount of TL 150.000 (December 31, 2016- None) is subjected to hedge accounting with a swap having amount of TL 185.065. A net mark to market difference loss at an amount of TL 6 (March 31, 2016- TL None) sourcing from gain at an amount of TL 828 (March 31, 2016 – None) from aforementioned credit and loss at an amount of TL 834 (March 31, 2016 –None) 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 6.880.130 are subject to hedge accounting as hedging instruments (December 31, 2016 – TL 5.270.130). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 55.325 are accounted for under equity during the current period (March 31, 2016 – TL 85.633 loss). The amounts for the ineffective portion of expenditures in the amount of TL 144 loss is associated with the income statement (March 31, 2016 – None)

As of the balance sheet date, swaps with a nominal amount of USD 2.178 million (December 31, 2016 – USD 1.737 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 199 million (December 31, 2016 – 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 19.557 are accounted under equity during the current period (March 31, 2016 – TL 73.596 loss). The gain amounting to TL 227 (March 31, 2016 – TL 993 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 loss of TL 880 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (March 31, 2016 – TL 501 gain). The measurements as of March 31, 2017, 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 March 31, 2017, the Parent Bank has no commitments “credit linked notes” (As of December 31, 2016 - None).

As of March 31, 2017, “Other Derivative Financial Instruments” with nominal amount of USD 250.000.000 (December 31, 2016: USD 250.000.000) are included in Parent Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, Parent Bank is the seller of the protection for USD 245.000.000.

7. Information on contingent liabilities and assets

The Parent Bank has recorded a provision of TL 25.631 (December 31, 2016 - TL 24.635) 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

MOODY’S March 2017		FITCH March 2017		CI March 2017	
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.	F3	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	F3	Financial Strength Rating	BBB
Main Credit Evaluation	ba3	Long-Term National	AAA(tur)	Financial Strength Appearance	Stable
Appearance	Negative	Appearance	Stable	Support	2
		Support	2		
		Financial Capacity Rating	bb+		

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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	821.221	13.027	843.878	8.955
Medium and Long-Term Loans	999.078	158.824	841.476	107.799
Non-Performing Loans	20.463	-	19.507	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total	1.840.762	171.851	1.704.861	116.754

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank ^(*)	-	1	-	-
Domestic Banks	32.596	80	196	5
Foreign Banks	815	2.519	816	996
Foreign Headquarters and Branches	-	-	-	-
Total	33.411	2.600	1.012	1.001

(*) The interest income on Required Reserve amounting TL 20.284 is not included in interest income on Banks. (March 31, 2016: 12.585).

c) Information on interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	725	238	2.033	62
Financial Assets at FVTPL	643	22	1.348	105
Investment Securities Available for Sale	94.978	38.863	87.360	25.388
Investment Securities Held to Maturity	90.833	35.978	74.071	10.639
Total	187.179	75.101	164.812	36.194

As stated in Section Three disclosure VII, the Parent 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. In this context, as of March 31, 2017, valuation of such assets is made according to estimated annual inflation rate of 9%. If valuation of these securities indexed to the CPI had been done by the reference index valid through March 31, 2017, the Parent Bank's Marketable securities valuation differences would be decreased by TL 24 million (in full TL amount) and net profit would be increased by TL 82 million (in full TL amount) to TL 483 million (in full TL amount).

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

None (December 31, 2016 – None)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	19.770	138.427	15.152	71.815
T.R. Central Bank	-	-	-	-
Domestic Banks	16.080	4.345	8.144	4.678
Foreign Banks	3.690	134.082	7.008	67.137
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	19.770	138.427	15.152	71.815

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

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	3.189	1.183

c) Information on interest expense paid to securities issued

As of March 31, 2017 the interest amount paid to securities issued is TL 106.588 (March 31, 2016 – TL 84.201)

d) Information on maturity structure of interest expenses on deposits

Account Name	Time Deposits						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira								
Bank Deposits	-	9.598	1.861	-	-	-	-	11.459
Saving Deposits	-	49.729	357.934	16.171	8.776	22.192	-	454.802
Public Sector Deposits	-	72	586	180	5	4	-	847
Commercial Deposits	-	39.289	84.236	7.306	13.642	8.783	-	153.256
Other Deposits	-	1.057	9.865	1.014	8.358	886	-	21.180
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	99.745	454.482	24.671	30.781	31.865	-	641.544
Foreign Currency								
Deposits	-	7.064	78.579	8.057	3.659	2.182	-	99.541
Bank Deposits	42	9.953	1.514	85	-	-	-	11.594
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	201	-	-	-	-	-	201
Total	42	17.218	80.093	8.142	3.659	2.182	-	111.336
Grand Total	42	116.963	534.575	32.813	34.440	34.047	-	752.880

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Prior 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		
Account Name								
Turkish Lira								
Bank Deposits	-	2.346	2.917	-	-	-	-	5.263
Saving Deposits	-	54.222	425.540	14.505	7.222	23.603	-	525.092
Public Sector Deposits	-	36	2.624	7	11	2	-	2.680
Commercial Deposits	-	51.129	136.925	16.182	3.909	5.194	-	213.339
Other Deposits	-	1.289	16.430	2.395	10.613	129	-	30.856
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	109.022	584.436	33.089	21.755	28.928	-	777.230
Foreign Currency								
Deposits	-	7.610	65.804	3.943	937	2.078	-	80.372
Bank Deposits	15	3.438	748	14	-	-	-	4.215
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	191	-	-	-	-	-	191
Total	15	11.239	66.552	3.957	937	2.078	-	84.778
Grand Total	15	120.261	650.988	37.046	22.692	31.006	-	862.008

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements ^(*)	18.973	15.391	43.185	4.604

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

f) **Information on finance lease expenses**

None (March 31, 2016 – None).

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

None (March 31, 2016 – None).

3. **Information on dividend income**

	Current Period	Prior Period
Financial Assets Held for Trading	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Available for Sale	-	-
Other	52	2
Total	52	2

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

	Current Period	Prior Period
Trading Gain	3.469.528	3.990.965
Gains on Capital Market Operations	10.140	25.181
Derivative Financial Instruments	1.248.163	1.257.703
Foreign Exchange Gains	2.211.225	2.708.081
Trading Loss (-)	3.728.540	4.151.897
Losses on Capital Market Operations	7.534	13.444
Derivative Financial Instruments	1.544.209	1.410.158
Foreign Exchange Losses	2.176.797	2.728.295
Net Trading Income/Loss	(259.012)	(160.932)

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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.

6. Provision for losses on loans and other receivables

	Current Period	Prior Period
Specific Provisions For Loans and Other Receivables	283.072	288.384
Loans and Receivables in Group III	97.665	60.477
Loans and Receivables in Group IV	19.023	50.622
Loans and Receivables in Group V	166.384	177.285
Other Provisions for Closely Monitored Loans	(35.303)	(27.022)
General Provisions	26.749	21.612
Provision for Free Reserves on Possible Losses	-	-
Impairment Losses on Securities	-	-
Financial assets at fair value through profit or loss	-	-
Investment Securities available for sale	-	-
Impairment Losses on Associates, Subsidiaries and Investment Securities Held-to-Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
Other	3.564	531
Total	278.082	283.505

7. Information on other operating expenses

	Current Period	Prior Period
Personnel costs	322.404	299.298
Reserve for employee termination benefits	2.784	3.440
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	35.560	34.910
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	27.667	26.136
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	-	1.541
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	247.793	240.270
Operational lease related expenses	56.265	56.586
Repair and maintenance expenses	32.166	30.183
Advertisement expenses	27.028	21.507
Other expenses	132.334	131.994
Losses on sales of assets	38	312
Other	98.466	126.145
Total	734.712	732.052

(*) Comprising repayments amounting to TL 6.387 (March 31, 2016: TL 30.802) 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 March 31, 2017, net interest income of TL 1.382.706 (March 31, 2016 – TL 1.033.687), net fees and commission income of TL 431.043 (March 31, 2016 – TL 338.153) and other operating income of TL 15.411 (March 31, 2016 – TL 24.564) 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 March 31, 2017, the Group recorded current tax charge of TL 128.883 (March 31, 2016 - TL 4.645) and a deferred tax charge of TL 19.013 (March 31, 2016 – TL 40.381 deferred tax loss).

	Current Period	Prior Period
Current Tax Provision	(128.883)	(4.645)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	19.013	(40.381)
Total	(109.870)	(45.026)

9.2. Explanations on operating profit/loss after taxes

None (March 31, 2016 – None).

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

Net profit of the Group from continued operations is TL 446.065 (March 31, 2016 – TL 171.436).

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 (March 31, 2016 – 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	175	1.546

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

12. Information on the 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.

V. Explanations And Disclosures Related To Consolidated Cash Flows Statement

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

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VI. 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

- 1.1.** As of March 31, 2017, the Parent Bank's risk group has deposits amounting to TL 123.943 (December 31, 2016 – TL 195.418), cash loans amounting to TL 634 (December 31, 2016 – None) and non-cash loans amounting to TL 9.331 (December 31, 2016- TL 1.252)

Current Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	5.896	-	-	1.252	1.586
Balance at the End of the Period	-	7.542	-	-	634	1.789
Interest and Commission Income	-	31	-	-	51	7

Prior Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	11.315	-	21.651	-	964
Balance at the End of the Period	-	5.896	-	-	1.252	1.586
Interest and Commission Income (**)	-	39	-	2	4	3

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

(**) Prior Period represents March 31, 2016 balance.

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

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	15.700	11.345	-	-	179.718	258.905
Balance at the End of the Period	31.484	15.700	-	-	92.459	179.718
Interest on deposits (**)	3.189	1.183	-	-	1.850	3.342

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

(**) Prior Period represents March 31, 2016 balance.

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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
Transactions for Trading Purposes						
Beginning of the Period	-	-	-	168.641	-	74.646
End of the Period	-	-	-	-	-	-
Total Income/Loss (**)	-	-	-	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

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

1.4. Information on benefits provided for Key Management

As of March 31, 2017, the total amount of remuneration and bonuses paid to key management of the Group is TL 61.746 (March 31, 2016- TL 46.710).

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 March 31, 2017, the rate of cash loans of the risk group divided by to total loans is %0; (December 31, 2016 – 0%); the deposits represented 0,2% (December 31, 2016 – 0,4%) The ratio of total derivative transactions with derivatives risk is not calculated because no derivative granted to risk group (December 31, 2016 – None)

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 Parent 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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VII. Other explanations related to the Group'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 has made a discount bond issuance at nominal amount of TL 96.100 with 12,50% interest rate and 91 days maturity on April 14, 2017, at nominal amount of TL 153.400 with 12,55% interest rate and 91 days maturity on April 21, 2017 and at nominal amount of TL 47.550 with 12,80% interest rate and 91 days maturity on April 21, 2017.

The Bank has made a Eurobond issuance at nominal amount of TL 3.000.000 with 2,50 % interest rate and 92 days maturity on April 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 Parent 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 SIX

INDEPENDENT AUDITOR’S LIMITED REPORT

I. Explanations on Independent Limited Review Report

The consolidated financial statements for the period ended March 31, 2017 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor’s limited report dated April 28, 2017 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2016 – None).

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**SECTION SEVEN
CONSOLIDATED INTERIM ACTIVITY REPORT**

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

Message by the Chairman

Dear Partners,

Turkey has left behind a difficult year in which we experienced extraordinary political problems such as increased geopolitical risks, terrorism and failed coup attempt as well as credit downgrading from rating agencies. Despite these extraordinary problems, the Turkish economy grew by 2.9% in 2016 experiencing a recovery in the last quarter of the year, thanks to the revival of external demand and supporting measures taken by the government. Despite the uncertainty indicated by the process of constitutional referendum in terms of investments and financial markets, the recovery in economic activity continued in the first quarter of 2017.

As the innovative bank of the Turkish financial sector, QNB Finansbank continues to achieve successful results in the first quarter of this year despite the problems in the global economy and the fluctuations and challenges experienced in the domestic markets as a result of the great performance of our employees, who constitute our greatest strength. Driven by the power we got from QNB, we continued to create a more effective added value in the economy by supporting thousands of companies and households through our unique banking products ranging from the project loans to the trade and SME loans.

In line with our objectives for sustainable growth and profitability, we achieved a successful performance in the first quarter of 2017. Compared to the end of 2016, we have increased our total loans by 10% to TL 68 billion 895 million and our customer deposits by 5% to TL 54 billion 734 million. We also achieved very successful results in terms of profitability. In the first quarter of 2017, we increased our net interest income by 34%, and our net fee and commission income by 27% compared to the same period of previous year.

As part of our corporate social responsibility efforts, we sustain our activities on a child-focused program "Minik Eller Büyük Hayaller" (Small Hands Big Dreams). Creative leaders of the future can only rise from creative, innovative and analytical generations with a different perspective and positive attitude, and we recognize that this can only be achieved by working on it on this very day. In addition to many local projects developed by our employees with the participation of volunteers, 11,387 children in 22 cities of Turkey were provided with 2,656 hours of coding training as part of the "Minik Parmaklar Geleceği Programlıyor" (Tiny Fingers Coding Future) project. It is aimed to increase this figure to 20 thousand children. "Harika Matematik (Math Amazing)", a traveling exhibition across Anatolia, was later designed to introduce the fun-filled world of maths to children and develop their analytical skills. Math Amazing Trucks have so far accessed 150 thousand kids in 22 cities. Supporting creativity in art and science, QNB Finansbank enables gifted students who were admitted to the world's best music academies to continue their education and contribute to the society as part of "Harika Yetenekler" (Amazing Talents) project developed by the Modern Education Foundation.

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Elements such as the fiscal policies to be implemented in the US in the forthcoming period, the monetary policy steps of the Federal Reserve and the election calendar in the Eurozone will be the significant determinants across the global markets. In terms of Turkey, we believe that economic activity will record a more significant acceleration due to the diminishing uncertainties.

I believe that we will continue to realize our profitable and sustainable growth policy and achieve even more successful results in the rest of the year with our powerful analysis team, our products tailored to suit the needs of businesses and individuals, competent branch and field teams of experts and technological equipment enabling our customers to reach us at any time.

I would like to express my gratitude once again to all of our customers and shareholders as well as all Financier colleagues and stakeholders who have cemented our determination with their confidence, for their contributions to QNB Finansbank.

Kind regards,

Ömer Aras

Chairman and Member of the Board

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Message by the General Manager

Dear partners,

QNB Finansbank, the innovative and leading bank of the Turkish banking system, left behind the first quarter of the year with successful results despite a political and economic environment predominated by uncertainties and anxieties.

As of March 31, 2017, our total assets are TL 112 billion 140 million. Compared to the end of 2016, our total loans increased by 10% to TL 68 billion 895 million and our customer deposits by 5% to TL 54 billion 734 million.

In the first quarter of 2017, the net interest income of our bank increased by 34% compared to the same period of previous year and reached TL 1 billion 383 million, the net fee and commission income increased by 27% and reached TL 431 million. The pre-tax profit of our bank was TL 556 million, and the net period profit was TL 446 million in this period.

Compared to the end of the previous year, our total equity increased by 6% to TL F10 billion 950 million, and as of March 31, 2017, our capital adequacy ratio was 14.00%.

We have left behind the first three months of the new year in a period where important political changes are influencing the economy both in the world and in Turkey. Despite the referendum process, the recovery tendency in the economic activity, which started during the last quarter of last year, continued in the first quarter of this year thanks to the supportive measures of the government and revival in the external demand. We started to see a more significant acceleration in the economic activities due to the recent decline in the uncertainties in the domestic markets. In the forthcoming period, we will be able to make clearer projections, and we will continue to support our clients in improving and growing their businesses with the right strategies and right campaigns. The results we achieved in the first quarter of the new year, that we entered with the power of the QNB Group, show the accuracy of the strategies that we have identified. In the rest of the year, we will take even faster and stronger steps.

I would like to thank everyone who added value to QNB Finansbank, our colleagues, our customers, all our strategic partners and our correspondent banks.

Temel Güzelöğlü

General Manager and Member of the Board

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Summary Consolidated Financials Belonging to the Period of 31.03.2017

<i>Principal Financial Indicators (Million TL)</i>	31 March 2017	31 December 2016
Total Loans	68.895	62.637
Securities	13.983	12.983
Total Assets	112.140	104.326
Customer Deposits	54.734	51.892
Equity	10.950	10.304

<i>Profitability</i>	31 March 2017	31 March 2016
Net interest income	1.383	1.034
Net fees and commission income	431	338
Provision loans and other Receivables(-)	(278)	(284)
Operating profit before tax	556	216
Tax Provision	(110)	(45)
Net profit for the period	446	171

As of March 31, 2017 total assets of the Group increased by 7% and realized TL 112 billion and 140 million. When compared with the end of year 2016, total loans increased by 10% and reached TL 68 billion and 895 million while Customer Deposits increased by 5% and reached up to TL 54 billion and 734 million.

When compared with the first three-month of year 2016, net interest income grew 34% and reached TL 1 billion 383 million in the three-month period of the year 2017. Net fees and commission income increased by 27% and reached TL 431 million. Consolidated profit of the Group before tax reached TL 556 million and the consolidated net profit for the first three month came in at TL 446 million.

When compared with the end of year 2016, total consolidated shareholders' equity increased by 6% and reached up to TL 10 billion 950 million. As of March 31, 2017 capital adequacy ratio of the Group was 14%.

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

Assets:

Parent bank maintained its customer-oriented activities during year 2017 and continued to grow mainly in corporate banking and commercial loans. When compared with the end of year 2016 total consolidated loans increased by 10% and reached TL 68 billion and 895 million in 2016 while total consolidated assets increased by 8% and reached TL 112 billion and 151 million. In 2017, maintaining its growth on strategically focused business segments (Corporate, Commercial and SMEs), the Bank increased its business loans by 17% compared to the end of 2016.

Liabilities:

Total customer deposits of the Group increased by 5% and reached TL 54 billion and 734 million and shareholders' equity increased by 6% and reached TL 10 billion and 950 million.

Profitability:

Net interest income increased by 34% and reached TL 1 billion and 383 million and net fees and commission income increased by 27% and reached TL 431 million. Profit before tax of the Bank reached TL 556 million and the net profit for the period was TL 446 million.

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Solvency:

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

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

Amendments made to the Articles of Association:

The Parent Bank's trade name in 3rd article of the Articles of Association has been changed to "QNB Finansbank".

General Grants realized during the Period:

General grants realized as of March 31, 2017 was TL 180.