QNB FINANSBANK

Annual Report 2016

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History

Finansbank A.Ş was established on October 26, 1987 with paid-in capital in the amount of USD 4 million . Finansbank differed from banks in terms of both its main philosophy and its banking approach. It has become a success story brought to life by professional bankers including its founder and executive team. Finansbank A.Ş is the first private bank that went public on February 3, 1990. Finansbank A.Ş. opened four domestic branches and took over Privatbank Geneve S.A. (PBG) operating in Switzerland, changing its name to FB Suisse S.A. In 1991 Banque du Bosphore was established in France as a result of the participation between Finansbank A.Ş., Emlak Bankası, Vakıfbank and Banque Worms. Finansbank Holland started its operations in 1994, Finansbank Russia in 1997, and Finansbank Romania was opened in 2000. Due to its superb understanding of service and its innovative and proactive approach, Finansbank A.Ş ranked fifth among private banks in terms of asset size in 2004, an accomplishment achieved in a very short time by banking sector standards. In the same year Finansbank A.Ş. secured a subordinated loan of USD 200M, indicative of trust by foreign markets in Finansbank A.Ş. In 2005 Finansbank A.Ş. signed a 7-year, uninsured securitization loan in the amount of USD 500 million, the highest of its kind in Turkey, which is as an indication of confidence in the international arena.

Finansbank A.Ş. was acquired by National Bank of Greece (NBG), the biggest bank in Greece, in August 2006,due to its status as the biggest Turkish bank abroad in terms of investments and branch network. As a result of this merger NBG's leadership position in Southeastern Europe was combined with Finansbank A.Ş. 's high potential for growth in Turkey. As a result of the importance of Retail Banking, Finansbank A.Ş. speeded up the network process in 2006 and 2007. Due to 203 new branches opened in a period of two years, Finansbank was recognized as the fastest growing bank in terms of branch network. Finansbank A.Ş. continued pioneering in retail banking as well. Enpara.com, established in October 2012, is the first bank that offers services exclusively on digital channels in Turkey.

Finansbank A.Ş. was acquired by Qatar National Bank S.A.Q (QNB Group), the biggest bank in Qatar and a leading financial institution in the Middle East and Africa region on June 15, 2016. As the largest bank in the Middle East and North Africa QNB Group's presence extends to thirty countries across three continents through its subsidiaries and associate companies, providing a comprehensive range of advanced products and services. The title of the bank was changed to QNB Finansbank on October 20.

Robust qualities of the Bank that support profitable growth include a strong capital structure, low debt ratio, high liquidity and effective risk management policy. QNB Finansbank offers creative, swift and easy solutions for all financial requirements of its clients through its affiliates QNB Finans Leasing, QNB Finansinvest, QNB Finans Asset Management, Cigna Finans Emeklilik ve Hayat A.Ş., QNB Finans Faktoring, Hemenal Finansman, as well as tech company IBTech and eFinans.

VISION

Building individual and commercial financial plans that will catalyze Turkey's success

MISSION

Forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction

VALUES

Respect and Commitment

Being "Us"

Innovation

Leadership

Message from the Chairman

Message from the Chairman

Esteemed Shareholders,

2016 was a difficult year globally as well as for Turkey. In the referendum held in June, Great Britain decide to leave EU. In November Donald Trump was elected the US President. While these developments proved to be turning points in terms of global politics, geopolitical risks increased quite significantly. Meanwhile an unsuccessful coup attempt took place on July 15 in Turkey. Thus, 2016 has been a year of unforeseen developments and unfortunate events.

Political changes in the global system are expected to have repercussions on the economy on a global scale. In this sense, investors keep an eye politicians while at the same time concentrating on decisions of central banks. The whole world waits in awe for the Trump Administration's policies after January 20, as there are expectations of policies that shall result in faster growth and higher inflation. Also significant is the effect of Brexit on the European and British economies. In addition the presidential elections to be held in spring in France and the German parliamentary elections to be held probably in September will influence the global economy. Such unfolding of events indicate that political developments will spearhead factors that will influence the economy on a global scale.

Despite political uncertainty and conversions, the global economic system was in position of support for developing economies except for a short period. In line with this, capital entry to Turkey accelerated in the first half of the year. However, improvement in financial indicators remained limited due to political as well as geopolitical risks. The coup attempt and the following drops in credit ratings by rating institutions led to a fall in tourism income accompanied by slowing of economic activities. As a result, in the third quarter GDP decreased on a yearly basis for the first time since the global crisis.

In spite of the supportive effect of the weakening domestic demand and the dropping rates of inflation for food supplies, rate of inflation rose due to increase in the exchange rates as well as energy prices. The inflation rate was 8.5% in 2016.

FED's policies are another factor, in addition to geopolitical risks and increased uncertainty on a global scale that increase risks on the Turkish economy. Nevertheless, international institutions such as the IMF and the World Bank estimate the growth rate of the Turkish economy above 3%. The growth target of the government is 4.4%. Carrying into effect policies that will clear the way of the Turkish economy, in a period when uncertainty regarding the global economy is on the rise, is doubly important. We are convinced that although there may be fluctuations in the short-term, Turkish economy is forcible enough to carry on in the mid-to-long-term.

Ever since its inception QNB Finansbank has maintained its dynamic structure, and succeeded to be among the top five banks in the Turkish banking sector where there are deep-seated banks. Thus being the focus of attention of international investors, QNB Finansbank continues to roll with a new shareholder ensuing the agreement signed in the summer. June 15, 2016, when the sales process of Finansbank A.Ş., a frontrunner of change in the banking sector with its focus on innovation, and its subsidiaries to QNB came to an end, marks the beginning of a new period. Our story of success, our fifth place among banks in Turkey with 630 branches and more than 12 thousand "Finansçı"s (Finansbankers), is raised to a whole new level as a result of this investment. The QNB Group is active in thirty countries on three continents, providing a wide range of products and services in more than 1,200 branches with more than 27,300 employees. Bloomberg Markets, a leading institution in news on trade, finance and economy, rates QNB among the "Strongest Banks in the World" since 2013. Global Finance Magazine declared QNB to be one of the "World's 50 Safest Banks" in 2016, and Euromoney elected QNB as the "Best Bank in the Middle East" two years in a row, in 2014 and 2015.

This is the biggest investment by QNB, with an experience of more than fifty years. This is a source of motivation for us, in terms of the confidence of QNB in the future of our Bank, our growth potential that increases year by year and as proof of a bright and hopeful future.

We will increase our value added to the Turkish economy by increasing scales in corporate and commercial banking as well as export finance, thanks to the synergy resulting from QNB's rooted past of in the Middle East and Africa and its experience; first steps towards this end will be taken in 2017. Due to QNB's expertise, we will be able to provide more support to the growth of the Turkish economy by providing increased funds to investments in corporate loans and project finance, specific areas of growth for us. We aim to be the leading bank in funding export finance of transactions between Turkey and areas where the QNB group is active. As a result of our experience and people-oriented approach blending in our products, our role in the greater targets of QNB in the region will be significant.

On behalf of the Board and myself, I would like to thank all "Finansçı"s and stakeholders who have worked for the success of our Bank.

Respectfully,

Ömer A. Aras
Chairman

Message from the General Manager

Message from the General Manager

Esteemed Shareholders and Members of the Board,

As Finansbank A.Ş. we went through an important transformation in 2016. The purchasing process of our Bank to QNB, the international banking group, was completed following all official permissions. In connection to this development, within the scope of change of main shareholder and brand strategies, our new logo is "QNB FINANSBANK".

As of December 31, 2016, QNB Finansbank's total loans increased by 10% on a yearly basis and reached TL 62.9 billion. In comparison to last year, customer deposits increased by 11% and reached TL 52 billion. Our net interest income increased by 12% to reach TL 10.1 billion. Marking a 14% increase, shareholder's equity equaled TL 4.5 billion. Our net profit for the period is TL 1.2 billion.

We have been awarded with many highly valuable prizes in 2016.

In the "Most Favored Company" Research by Bloomberg Businessweek Turkey and Realta Consulting held since 2009 in universities, QNB Finansbank was the first institution in 2015 and 2106 students wanted to work at.

Performing above the average in Turkey, QNB Finansbank was awarded "Employee Loyalty Award" in "Leadership", "Performance Culture", and "Employer Brand" indices in the research by Aon Hewitt.

QNB Finansbank was being awarded the "Honorable Mention" in HRM Impact Awards since 2013, given by Society for Human Resource Management (SHRM), the largest human resources management institution globally. QNB Finansbank is the first institution to be awarded this distinction outside of US. Thus it is sign of significant approval of our deep-rooted approach in this area.

In corporate banking, we have provided funding in the amount of USD 2 billion to thirty seven projects in 2016. In EMEA Finance 2015 Awards we have won eight awards with four projects in five different categories.

QNB Finansbank Istanbul Meetings, a classic within the framework of the corporate and commercial banking customer loyalty program we initiated two years ago, made us proud by winning awards in "Relations" and "Experience" categories in the Game Changers 2016 Ceremony.

Meanwhile we will work towards developing the "Minik Eller Büyük Hayaller" (Small Hands Big Dreams) social responsibility platform, targeting children we support today in order to bring up creative leaders of tomorrow. With the support of our "Finansçı"s, our social responsibility platform is growing to cover new projects. We are further proud to be appreciated for our projects. Our project, "Minik Parmaklar Geleceği Programlıyor" (Small Fingers Program the Future) was awarded the Jury Prize, and Harika Matematik Sergisi (Wonderful Maths Exhibition) the Golden Compass in Sponsorship Communication Education category in The 15. Golden Compass Awards by TÜHİD. We will continue to work in 2017 for children, being the leaders of the future, with the invaluable support of our employees.

In 2016 we maintained our efforts toward building up international cooperation and operational excellence.

The new branch model, aptly entitled "Yeni Bireysel Yine Finansçı" ("New Retail Banking, Always Finansçı") continued to help us to serve our clients faster and to spearhead many innovations.

In December, we secured a two-tranche Syndication Loan in the amounts of USD 103.5 million and EUR 397.6 million with a maturity of 367 days. The costs of loans, realized by a consortium of thirty banks for use in financing foreign trade, are Libor+1.10% and Euribor+1.00%, respectively.

I would also like to share with you the outstanding multilateral treaties we have signed with international institutions in 2016. We have signed a deal with EFSE (European Fund for Southeast Europe) for support of the agricultural sector as well as the micro and small businesses in terms of finance and training in agriculture. In addition, we signed a COSME agreement with EIF (European Investment Fund) for financial support to SME's.

Furthermore, the protocol we signed with EIF on support to education, is a first in Turkey. The protocol will help us fund graduate students at universities accredited by the European Union.

We are fast on track with digitalization, a significant factor in ensuring operational excellence. We pursue centralization of branch operations as well as digitalization of our processes, all for increasing operational productivity and shortening transaction periods at the branch level. Transactions causing workload at cash-desks are under close follow-up and aptly directed to ATM's and digital channels

We aim to achieve the same level of success in Enpara.com “Şirketim” (My Company), geared towards SME and commercial banking clients, as with Enpara.com, launched on the retail banking side and constituting an archetypal model in banking. Not only is Enpara.com “Şirketim” a banking platform for our clients; it is a source of easy and advantageous banking experience with cost-free banking, competitive rates and high level of quality of service.

During the year we brought to life a significant subsidiary that will help us solidify our stance as the flag bearer of innovation. Hemenal, our finance firm, will provide swift and instant financial support to stores and store customers.

We had an important role economic growth through supporting the industry and investments. A case in point is the EUR 100 million for the Salıpazarı Port project. Our support to sports got started with uniform sponsorships in 2016 of Trabzonspor Soccer Team and Fenerbahçe Men’s Basketball Team. We will further pursue this matter in the years to come.

As QNB Finansbank, we look forward to feeling the advantages of being a part of the QNB group. We aim to go beyond sectorial growth in all areas. This is true especially in corporate banking where we aim to outgrow the sector as a result of the financial prowess and expertise of the QNB group. We are more competitive in corporate banking and project finance thanks to the experience and know-how of the QNB group as well as financial strength. In addition, we will increase our share in foreign trade transactions by virtue of QNB’s activities in more than thirty countries and its widespread network of correspondent banks. Within this framework we will continue to provide financial support to firms, regardless of sector, within our risk valuations.

Our main course of action in 2017 also covers offering fastest the best service to clients, implementing for this end innovation and opportunity, and supporting society, economy, trade and production.

I offer my gratitude to all our customers, employees, shareholders and business partners who have accompanied us in our efforts.

Respectfully,

Temel Güzeloğlu
General Manager

Financial Highlights and Ownership Structure

Income Statement (TL million)					
	2012	**2013**	**2014**	**2015**	**2016**
Net interest income	2.877	3,163	3,088	3,947	4,504
Net fees and commission income	1,029	1,032	1,334	1,314	1,363
Other expenses	1,796	2,294	2,334	2,737	2,800
Profit before tax	1,170	938	1,142	903	1,484
Provision (-)	266	203	265	197	280
Net profit	904	734	877	706	1,203

Balance Sheet (TL million)					
	2012	**2013**	**2014**	**2015**	**2016**
Total loans	36,793	42,910	50,344	57,273	62,923
Securities	7,310	8,731	9,165	9,197	12,950
Total assets	54,402	66,010	75,206	85,727	101,503
Customer deposits	31,874	36,980	40,652	47,009	51,966
Shareholders'Equity	7,290	7,648	8,574	9,024	10,126

Ownership Structure		
	Capital (TL thousand)	**Share**
Qatar National Bank ("QNB")	3,146,138	99.88%
Other	3,862	0.12%
Total	3,150,000	100.00%

(Convenience translation of a report originally issued in Turkish)

Annual Report Compliance Opinion

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

Report on the Audit of the Annual Report of the Board of Directors in Accordance with the Independent Auditing Standards

We have audited the annual report of Finans Bank A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group") as at December 31, 2016.

Responsibility of the Bank's Board of Directors

In accordance with Article 514 of the Turkish Commercial Code (TCC) no.6102 and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks'published in official gazette no.26333 dated November 1, 2006, the Bank management is responsible for the preparation and fair presentation of annual report consistent with the consolidated and unconsolidated financial statements prepared 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 Ageney (BRSA), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; "BRSA Accounting and Financial Reporting Legislation" ("consolidated and unconsolidated financial statements") and for the internal control considered for the preparation of a report of such quality.

Independent Auditor's responsibility

Our responsibility is to express an opinion based on the independent audit we performed on the Bank's annual report, in accordance with the Article 397 of TCC and "Communique on Independent Audit of Banks" published in the Official Gazette no.29314 dated 2 April 2015 on whether the financial information provided in this annual report is presented fairly and consistent with the Bank's consolidated and unconsolidated financial statements there on which auditor's report dated February 6, 2017 has been issued.

We conducted our audit in accordance Independent Standards of Auditing ("ISA") which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). These standards require compliance with ethical requirements the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated and unconsolidated financial statements. An independent audit involves performing audit procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the independent auditor's professional judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide abasis for our audit opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated and unconsolidated financial statements in all material respects.

Report on other responsibilities arising from regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention to be disclosed which causes us to believe that the Bank will not be able to continue as a going concern in the foreseeable future.

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

Damla Harman, SMMM
Sorumlu Denetçi

Istanbul, March 8, 2017

Corporate and Commercial Banking

QNB Finansbank Corporate Banking serves leading domestic corporations, holding companies and multinational companies operating in Turkey. Its network comprises four corporate branches located in Istanbul and Ankara as well as regional representative offices in Bursa, Izmir, Antalya and Adana.

QNB Finansbank Commercial Banking serves commercial firms through fifty three branches.

Corporate and Commercial Banking aims to be the primary bank of its clients. To this end the Department implements a customer-oriented approach via tailor-made solutions and a long-lasting collaboration strategy. With the “Istanbul Meetings” marketing program, Corporate and Commercial Banking has been granted two awards in Game Changers Turkey 2016.

In accordance with QNB Finansbank’s strategy of growing in the corporate and commercial business lines in addition to its vision to help build individual and commercial financial plans that will catalyze Turkey’s success, Corporate and Commercial Banking grew its cash loans by 24.5%, exceeding sectorial growth.

Project and Structured Finance

QNB Finansbank Project and Structured Finance Group continued its leading role in the growth of the Turkish economy through important projects financed in 2016. As a result of the main shareholder change in 2016 by combining its strength with QNB Group, one of the most reliable banks in the world and especially prominent in the field of corporate banking, QNB Finansbank is rapidly reaping the benefits of this business association.

As it was in the past, the Group has successfully displayed its superiority both in transactions carried out bilaterally and in Syndication / Club Loans with other financial institutions by support and solutions it provides customers with its experienced staff, technical, financial and legal based analytical experience. Commercial Project Finance Unit of the Group, operating since 2013, has brought a different perspective to the sector with its on- site specialists working directly at the client’s premises, allowing for tailor-made solutions and advisory services. In 2016 the Commercial Project Finance Unit continued to develop special financing solutions for clients.

In 2016, QNB Finansbank allocated limit to seventeen significant projects in the Turkish economy in different sectors of the Corporate and Commercial segments.

In 2016, The Group, which provides services via three different channels, namely, Real Estate, Infrastructure, M&A Finance, Energy, PPP, Privatization Finance and Commercial Banking Project Finance, continued to offer its specialized and rapid services in structured deals.

One of the most major examples of QNB Finansbank’s support to Turkish Economy is the financing of the Galataport Project. Financial closing of the project took place on August 12, 2016, and despite the fact that it is a sensitive time for Turkey , five Turkish banks with Doğuş Group and Bilgili Group, participated totaling about 1 billion EUR,. QNB Finansbank retained its reputable name on financing mega projects with its role in this investment financing.

With the strength of the new shareholder QNB S.A.Q, QNB Finansbank Project and Structured Finance Group will continue to work in 2017 by focusing more on key projects such as infrastructure, revenue-generating real estate and public-private partnership projects, which will be critical to the growth of Turkey. In line with its confidence in Turkey's future, the Group intends to play a crucial role in meeting financial needs of such projects as it did in the past years.

Cash Management and Trade Finance

Cash Management and Foreign Trade Group focused on becoming the main bank of its customers by providing customer-oriented, technology based, dynamic solutions and increasing its share in areas of Cash Management and Foreign Trade products. In order to respond faster to customer needs, the group continued to place Cash Management and Foreign Trade managers in regions, and provide solutions to financial problems of firms.

By concentrating on acquiring DDS dealers and main firms, DDS limit, DDS loan volume and the number of DDS main firms increased by 10%, 5.5% and 23%, respectively, throughout the year. Besides, being the main driver in e-transaction market, e-Invoice Integrated Loan volume grew by 41% and number of customers using Finans Yıldızı has increased approximately fourfold.

Playing an important role in Turkey's banking sector, QNB Finansbank accomplished many innovations throughout 2016 with the aim of providing faster services to its customers. For example, QNB Finansbank is the first to use checks with QR Code in the market. It is also possible to transfer money with mobile signature with regard to firm agreements. In addition to all of these, with the HSBC Bank Correspondent Project, HSBC customers can now withdraw and deposit cash, collect checks and notes from our branches and ATMs, receive financial services such as customs letters, letters of guarantee and import documents.

The specific application regarding credit cards solely for firms in the agricultural sector, was initiated, based on the reality that Turkey is mainly an agricultural country. QNB Finansbank supports the development of the agricultural sector by launching this card that uses the DDS infrastructure.

As a member of QNB family, the perception of "Expert Bank in Foreign Trade" is supported by the new resources and expertise in foreign trade, and as a result effective solutions are provided. Hence, these developments led to an improvement in the volume and market share. The total Foreign Trade Volume has increased 12% in 2016, and the market share reached 5.57%. Post-financing volume and the number of customers raised by 111% and 19%, respectively. "Self Service Trade Finance Internet Banking" is an alternative solution to traditional foreign trade products and resulted in a fourfold increase in the number of customers compared to the previous year. Thanks to QNB's financing advantages specifically for the correspondents in the Middle and East Africa and its strong capital structure, QNB Finansbank aims to be the main bank for the firms that carry out trade transactions.

In addition to the standardized solutions, Cash Management and Foreign Trade Department develops tailor-made projects according to customer needs and will continue to provide financing to the businesses with high value-added products and services in 2017.

SME and Agricultural Banking

SME and Agricultural Banking consists of three different business lines: Medium Size Enterprises, Small Size Enterprises (Micro) and Agricultural Banking.

Companies with annual revenues up to TL 4 million are administered under the Small Size Enterprises Unit, while those between 4 to 40 million are under the Medium Size Enterprises portfolio. Agricultural banking unit serves a specific business area, including farmers, tradesmen as well as exporters, regardless of revenue.

With SME and Agricultural Banking as a prioritized focal point, QNB Finansbank continued to multiply the product and service channels offered to SME's as a dedicated partner to lend long-term support. New projects were brought to life aimed at benefiting SME's.

QNB Finansbank SME and Agricultural Banking serves clients with approximately one thousand five hundred employees at about six hundred branches. Thanks to its continued support to SME's QNB Finansbank increased its market share by outgrowing the SME market in loans. SME loans constitute roughly 40% of cash loans. An important factor in this achievement is QNB Finansbank's approach regarding specific designs involving specialized solutions geared towards clients in various sectors. For instance, QNB Finansbank realized its Real Estate Project Finance with a special team, aimed at lending support to construction businesses, in one of the leading sectors of the Turkish economy. As part of its backing through special finance models tailored for individual projects, of build-and-sell as well as urban renewal projects, QNB Finansbank supported more than 150 real-estate firms in various cities, with special maturities and warranties.

Lending support to women entrepreneurs as a means to widen its loan base, QNB Finansbank more than TL 200 million within the scope of guarantorship from European Bank for Reconstruction and Development

QNB Finansbank designs many products in order to allow for flexible and swift access to funds by clients. Among them is "X-Large", a specialty added to credit cards in 2016, that allows clients to access their loan limits, thereby helping eliminate potential problems clients may face during shopping.

In 2016 QNB Finansbank continued to expand overseas to secure funds for SME loans. It is the first bank in Turkey to employ COSME, the guarantorship program of the European Commission regarding increased competitive power of SMEs. Through this program, QNB Finansbank has been able to support SMEs willing to grow but unable to provide collateral. In addition it has provided EIB (European Investment Bank) funds to investment-minded SMEs short of cheap funding sources.

A principal/primary target of QNB Finansbank SME Banking, in addition to increased loans, is penetrating cash flows of clients and robust balance sheet growth. Toward this end, it initiated the Bereketli Ticari Hesap (Prolific Commercial Account) whereby cash in the account at day's end earns interest. Consequently, the number of time deposit customers increased more than two-fold.

2016 witnessed further investment by QNB Finansbank in out-of-branch channels in order to allow customers to complete transactions in the fastest and most effective manner and benefit from banking services without leaving their offices. KOBİ Rahat Hat (SME Comfort Line), serving SME only and allowing all banking transactions to take place on the phone, has allowed QNB Finansbank to provide immediate and professional support to SMEs, thereby offering swift solutions rendering unnecessary a trip to the branch.

QNB Finansbank Internet and Mobile branches continued to provide services thanks to the new functions added in 2016. Moreover, with the SME Tablet project, QNB Finansbank SME and Agricultural Banking portfolio managers were able to complete all banking transactions, from account opening and loan application to credit limits and POS requests, at the offices of the clients being visited.

QNB Finansbank aims to empower SMEs in the face of global competition; to this end it has offered SMEs training and consulting regarding foreign trade. In addition, in terms of its organizational structure, it locates itself close to clients as it offers its expertise to clients through its regional structure. What's more, by allowing clients to carry out foreign trade transactions on the Internet branch, QNB Finansbank lets them conduct transactions fast and effectively on all banking channels.

In 2016 a pool was formed with insurers against extraordinary and uninsurable commercial risks of SMEs. This ensured a service infrastructure underlining customer satisfaction and offering continuity on a yearly basis.

Customer satisfaction and loyalty has always been a priority for QNB Finansbank SME Banking. It had undersigned a first in the sector by initiating the loyalty program KOBİ Loca in 2015. In 2016 it continued to offer clients many opportunities and advantages.

Agricultural Banking

With a strong belief in the strategic importance of the agricultural sector, QNB Finansbank completed its Agricultural Banking organization in 2013 and provides services to its customers with 194 personnel in 148 branches as of 2016. QNB Finansbank Agricultural Banking diversifies its services by agricultural activities and the regions where activities are being carried out. As a result, QNB Finansbank Agricultural Banking increased its credit balance over TL 2.2 billion and achieved around 31% growth in 2016.

QNB Finansbank aims to support modernization processes and help businesses reach economies of scale in agriculture. Therefore, it offers favorable payment terms and up to 10 years maturity on investment loans. QNB Finansbank also mediates Instrument for Pre-Accession Assistance-Rural Development (IPARD) projects.

The organization's new product, QNB Finansbank Agriculture Card was introduced in 2016. This card, which works with DDS infrastructure, is a payment tool that helps the user fund their agricultural business needs with up to 6 months maturity time interest-free, and also enable firms that supply raw materials such as fertilizers and fuel a safe business environment with assets guaranteed and no invoice problems.

QNB Finansbank Agricultural Banking also supports certified agricultural production which increases product quality and provides high-quality food to consumers. In this context, organic farming activities are supported with favorable rates and payment periods.

QNB Finansbank Agricultural Banking unit has started a countrywide financial literacy project as a social responsibility activity in cooperation with EFSE and the Frankfurt School. Farmers from different parts of the country has been informed about efficient use of financial tools, income and expense management and assessment of savings.

In 2017, QNB Finansbank will continue to contribute to the growth of the agricultural sector through its products and services, while growing in line with its targets and keep on.

Retail Banking

In line with its strategy, QNB Finansbank ended the year with 630 branches.

QNB Finansbank redesigned its branches in order to increase customer satisfaction by decreasing time spent for banking transactions.

Retail Loans

In order to meet urgent cash needs of customers in a quick and convenient way, structural improvements were prioritized and new products were launched especially on Internet and mobile banking.

Similar to the previous year, QNB Finansbank Retail Banking continued to make attractive loan offers to public employees, salary tie-up, retired customers, and QNB Finansbank's first-time loan customers. Also, the system of digital approval of documents for consumer loans and UOD at QNB Finansbank branches, was initiated. As of December 2016, QNB Finansbank's market share in consumer loans reached 5.4%.

QNB Finansbank maintained its competitive position in the housing loans segment due to its pricing strategy and held a market share of 3.4%.

Mass Banking

Thanks to systemic developments addressing market requirements in salary payments and strong collaboration generated between different units, companies that made salary payments through the Bank in 2016 was increased by 16,7%. Programs which provide advantageous loans, special deposit ratios, and various discounts for salary tie-up customers are also in process with success.

QNB Finansbank continues to be the choice of retired customers by keeping its customers highly satisfied thanks to the advantages provided to customers who receive their pension through our Bank, such as fee exemption through common ATM use, exclusive credit cards, etc.

The number of institutions with school payments continued to increase with the help of our investments on infrastructure. In 2016, the number of the educational institutions, where our Bank acted as mediator for school payments, increased by 32.3%.

In 2016, new products, which are customized in line with the needs of different customer segments, were added to the insurance products portfolio. Education Personal accident for children, which protects the future of children, and Hospital Support & Payment Support Personal Accident plan are the most remarkable new additions. Also, insurance products sales through mobile banking was launched in 2016.

In order to facilitate the life of our retail banking customers, three different packages were offered to our customers with the product "Finansçıdan Kazançlı Paketler" in 2016. The bundle product is designed to provide advantages in banking transactions while saving on transaction costs and time. New products offer free usage of transactions made within the limits of the package type. With the sales of related packages, the bank is expected to increase customer satisfaction in 2017.

In all our branches, Western Union is fast, easy and reliable to send and receive money to and from abroad. With the launch of Digital Approval project, Western Union transactions can be completed more quickly, helping customers save time.

In 2016, QNB became the main sponsor of Trabzonspor, and QNB Finansbank became the sponsor of Fenerbahçe men's basketball team. In order to attain new customer acquisitions and increase the customer satisfaction, branding and communication efforts were made for the retail banking customers of Trabzonspor and Fenerbahçe fans. Specifically, CardFinans Trabzonspor and CardFinans Fenerbahçe credit card product was introduced to our customers through bank and club channels.

Private Banking And Affluent Segment

Deposits Product Management and Gold Banking

In 2016 in addition to the standard products such as time deposit products, QNB Finansbank has continued to offer alternative products to its customers for the purpose of assessing their savings, products with the combination of term and demand deposit features and accumulation deposit products.

The amount of "Double Yolk Account", which offers simultaneously the comfort of a demand account and interest of the term account, increased by 19%. "Payroll Account" with 366 day maturity, which allows customers to draw their interest income every month as a second salary, gives them the advantage of long-term investing and provides the opportunity to use interest income monthly. QNB Finansbank provides solutions for different needs of customers with "Flexible Time Deposit" that allows customers to withdraw a portion of their deposits without breaking the maturity and also pays interest for the amount withdrawn. In addition to time deposits, accumulation products continued to be offered in 2016.

QNB Finansbank "Money Box Account" is also put into use in order to enable customers to save. QNB Finansbank Money Box Account, which provides them the opportunity to accumulate in Turkish Lira / Euro / Dollar / Pound, has grown by 3 times compared to yearend 2015.

In 2016, QNB Finansbank has continued to offer Gold Demand/Time Deposit Accounts, which allow customers to buy and sell gold, and "Gold Collection Days", which allows customers to safely save their gold deposits in the bank without risk of stealing or loss.

For customers who want to generate income in changing market conditions, QNB Finansbank introduced "Multi Currency Time Deposit Account" in 2016 whereby both foreign exchange gains and interest earnings can be obtained. Customers can open this account in Turkish Lira, US Dollar, Euro, Pound, Japanese Yen or Swiss Franc. While customers can open as many accounts as they want, they can make a purchase/sale transaction among selected currencies without losing interest.

Investment Products

QNB Finansbank offers mutual funds, corporate bonds, commodity, domestic/foreign equities and future exchanges pursuant to risk and return expectations of the customers with expertise of FinansInvest and Finans Portföy (Portfolio).

In addition to the current investment products we offer, in 2016 QNB Finansbank and its subsidiaries continued to diversify its innovative product range. Within this year, five different capital guaranteed funds were issued and customer assets were managed in line with their respective investment profiles with the expertise of our subsidiaries; FinansInvest and Finans Portföy.

Total mutual funds volume increased 18% as of previous year. Total investment volume, primarily stocks that we serve via FinansInvest, increased 27% yearly.

Affluent Segment

In 2016, QNB Finansbank's primary focus in its marketing activities and projects was to strengthen relationships with Affluent Segment customers and to increase their loyalty and satisfaction.

Thanks to the customer acquisition projects geared towards special customer groups, with assets between TL 100.000 and TL 750.000, the number of affluent customers were increased by 8% and the total portfolio volume was increased by 12%.

QNB Finansbank Affluent Segment customers are able to perform their banking operations and benefit from special services offered by the Xclusive World, with special customer relations managers and Xclusive Call Center Assistants.

QNB Finansbank Affluent Segment customers take the advantage of free EFT transactions through online and mobile banking, higher withdrawal limits at ATMs, free withdrawal from other bank's ATMs, discounted stock transactions and safety box.

With ClubFinans Loyalty program QNB Finansbank increased retention of Affluent segment customers by offering privileges other than financial services.

In order to increase customer satisfaction, the VIP Match Ticket program that comprises the four major Turkish football teams has been continued.

In addition to financial services, QNB Finansbank also provided its Affluent Segment customers who own Xclusive credit card other benefits with the ClubFinans program. Prestigious services involving "Private Personal Driver", "Free Dry Cleaning", "Motovale" and "ClubFinans Library" enabled QNB Finansbank to boost its customer loyalty.

Private Banking

QNB Finansbank Private Banking provides a wide range of products to all retail clients with assets under management in excess of TL 750,000.

QNB Finansbank Private Banking manages customer assets in accordance with their risks and return expectations. Private Banking customers are offered a wide range of investment products such as deposits, mutual funds, derivative products, equity and futures.

With its motto "Changing your Perception of Private Banking", QNB Finansbank Private Banking presents private customers TAV Passport Card, a card of privileges at the airport, as a gift. Moreover, QNB Finansbank Private Banking customers can withdraw cash from ATMs up to TL 10,000 per day, enjoy a discount on banking transaction fees and safe deposit boxes, and access information about the financial developments with market bulletins prepared specially for them. QNB Finansbank Private Banking also enhances the lives of its customers by offering free attendance to many artistic and sporting events as well as sponsorships throughout the year.

With the privileges of Xclusive and World Elite Credit Cards, QNB Finansbank Private Banking customers take full advantage of "primeclass CIP Service" and "Assistance Services", "Private Personal Driver", car rentals, "Motovale", "Free Dry Cleaning", "ClubFinans Library", discount on safety boxes, and installments for Duty Free shopping.

Throughout 2016, QNB Finansbank Private Banking focused especially on new customer acquisition and customer retention by offering new products and exclusive service offerings. As a result, the number of private customers has increased by 16%, whereas the assets under management expanded by 27%.

Quartz Wealth Management

Quartz Wealth Management was established in 2013 for providing services to customers who have high risk sensitivity and prefer such sophisticated financial instruments as derivative product tools, investment fund tools, and capital and money market tools in their investments.

Quartz Wealth Management serves Quartz customers assigned to wealth managers with a long-time experience in banking sector and are qualified in product knowledge and market intelligence.

Thanks to the "Quartz Acquisition Model", Quartz Wealth Management reached more than two thousand customers and approximately TL 5.5 billion portfolio size at the end of 2016. In addition to the standard banking applications, it also extends wealth improvement opportunities in line with customers' risk/return expectations and help manage their risks sustainably.

Enpara.com and Customer Experience Office

Launched by QNB Finansbank in October 2012 as the first direct banking model in Turkey, Enpara.com offers retail banking services through digital channels only (Internet, mobile, call center and ATMs), without utilizing physical bank branches as a service channel. As of October 2016, Enpara.com has extended its services to small business through Enpara.com Şirketim.

By attracting 220 thousand new retail customers in 2016, Enpara.com has reached a total of 633 thousand customers, achieving a 54% growth. It has also grown its deposit volume by 15%, which exceeded TL 5.5 billion. On the loan side, the balance reached TL 750 million with a 50% growth.

After serving retail customers for 4 years, Enpara.com launched Enpara.com Şirketim in October 2016 to serve small businesses with a similar model. By offering the first truly digital banking experience to small businesses in the market, Enpara.com Şirketim attracted 3 thousand customers in only three months.

Enpara.com managed to maintain its high-quality service amid the significant expansion of its client base. Enpara.com's customer satisfaction remains constant at 99.5% and its Net Promoter Score at 75%.

With its field team visiting first-time customers all around Turkey, its contact center team answering calls in less than 30 seconds, and its relentless focus on flawless user experience and customer friendly practices, Enpara.com received numerous notes of gratitude from its customers and continued to raise the bar for customer service for the entire industry. It has also reinforced its innovative image with the Enpara.com Şirketim launch in 2016.

Customer Experience Office

Customer Experience Office, established in 2015, is aimed at measuring and raising customer experience at QNB Finansbank above sector standards. It has helped business lines define their core operating principles in key areas shaping customer experience and measured the outcome using various methods including the Net Promoter Score. Based on these efforts, the Customer Experience Office has identified experience areas with potential for improvement and coordinated the relevant business lines to plan or implement the necessary changes. Notable improvements were achieved in 2016 in two areas: 1) building a customer focused culture at the contact center and 2) treatment of customers facing loan payment difficulties. Establishment of this office is an important and decisive step for QNB Finansbank towards becoming the bank offering the best customer experience in Turkey.

Payment Systems

CardFinans

CardFinans ranked among the top five brands in the Turkish credit card market in 2016. With approximately 4.4 million cards issued, total turnover reached around TL 47 billion. In terms of credit card receivables, CardFinans market share was at 9.3% with a loan balance of TL 9 billion. S-mail service, launched in 2013, enabling cardholders to reach their statement details over the phone, reached over 280 thousand customers at the end of 2016.

Gift Money

The program, which was launched in June 2014, enables CardFinans credit card holders to make free purchases in member stores from TL 150 up to TL 1,500. With spending commitment made by cardholders in exchange for the amount of Gift Money used, customers are secured to use

CardFinans in their purchases for a 12 to 18 month timeframe. The Program includes leading brands in various sectors while making unprecedented offers, and has been appreciated by CardFinans users in a short period of time.

Fix Card

Fix Card, which combines credit card, debit card and contactless payment capabilities in a single card, continued its significant growth. Fix Card is one of the first examples in the Turkish market of a card without an annual fee.

CardFinans Retiree

Customers whose retirement payroll accounts are at QNB Finansbank were offered a new credit card product in 2014, which offers discounts and advantages in drug and food stores. This product, offerings various specialized advantages to retired customers, has become highly favored in this segment, and continued its rapid growth in 2016.

Zero Interest Campaign

With the Zero Interest Campaign that was launched in 2015, customers obtaining a QNB Finansbank credit card for the first time, between 19 March and 31 Dec, 2016, have been held exempt from paying interest for 1 year, on the condition that they pay their minimum payment amount. Approximately 870 thousand personal credit card applications have been received as a result.

ClubFinans Xclusive

In 2016, ClubFinans Xclusive continued to offer exclusive services and privileges to credit card owners. Among these privileges are, ClubFinans Library, “Assistance”, Motovale service with discount, dry cleaning, chauffeur service with discount, car rental with discount, installments for shopping abroad and Duty Free purchases and restaurant discounts for spending promises.

BÜMED Xclusive

BÜMED Xclusive is launched by adding new exclusive services to CardFinans BÜMED. Some of these privileges are free BÜMED tuition payment using Gift Money, chauffeur service with discount, ClubFinans Library, "Assistance", free dry cleaning, Motovale service with discount, installments for shopping abroad and Duty Free purchases and restaurant discounts for spending promises.

ClubFinans Doctors and ClubFinans Xclusive Doctors

Thanks to QNB Finansbank's initiative to embrace the healthcare sector, ClubFinans Doctors card, which provides privileged services to doctors, penetrated 50% of the sector.

Nurse Card

QNB Finansbank launched Nurse Card, a first in Turkey, in March 2013, which is offered to nurses, midwives and medical assistants. Nurse Card combines credit card, debit card and

Paypass features in one card, offering ease of payment. Nurse Card, which provides privileged services to nurses, penetrated more than 25% of the sector.

CardFinans Cash

CardFinans Cash ranked eighth in the Turkish debit card market, capturing a 5.2% market share in terms of turnover with 5 million cards issued. CardFinans Cash offers cardholders many opportunities and benefits such as installment payments (a first in the sector), MoneyPoints, PosPara and e-commerce shopping.

First Card Program

First Card program, launched in October 2013, advises and educates first time credit card owners to be informed users. Product and spending limits are placed on cards within the program, while users are informed about prudent card usage via SMS, e-mail and other communication channels. Limits on the card are lifted upon active use of the card and timely payment of debts. The program was cancelled in 2016.

CardFinans Commercial Cards

CardFinans commercial credit Cards, designed for supporting cash management of business owners, represented 15.5% of the total Turkish commercial credit card market with 519,459 cards issued. CardFinans VadeKart offers many possibilities for the first time such as payment postponement, after-sales installment, statement postponement and instant loan, showing users that it is possible to earn while buying.

POS

In line with the growth strategy, the number of POS machines used in our merchant network increased to 252,855. POS volume market share reached 7.51% with 179,521 QNB Finansbank merchants.

Information Technology (IBTech), Operations, Channels and Business Development

Information Technologies

In line with QNB Finansbank's strategies, Information Technologies enhanced products and services at the Bank's core banking system (Core Finans), alternative delivery channel applications and payment systems. An increase in efficiency and productivity was achieved in operational processes of existing or new products and services.

Information Technology Department (IT) completed 211 projects requested by QNB Finansbank and its subsidiaries. IT spent 62,996 man-days on these projects with an average effort per project exceeding 299 man-days.

IT also responded to 5,480 software development change requests with an effort of less than 40 man-days per project. In addition, more than six thousand demands are completed.

Customer experiences provide the basis for new projects established for various processes and products, all geared toward increased customer satisfaction.

To increase digital transformation at the level of banking product and services, many projects are implemented, processes are improved, and productivity and efficiency are increased for both internal and external customers. Use of digital approval was initiated in consumer loan disbursement, overdraft account, credit card application, and Western Union processes. Paper circulation in these processes was removed, and productivity and customer satisfaction has risen.

Products and services offered via tablets and all other digital channels for both retail and corporate customers were expanded. New products such as Solo Product Sale on Android Tablet and Core Face at cash counter increased the quality of service provided to customers.

Signature recognition on BİS (Banking Services Agreement) project is developed in-house fully by Ibtech. Debit Cards with Chips project has been completed.

Regulatory and compulsory projects have been implemented in 2016 for deposits, loans, insurance, cheques, treasury, accounting and credit card modules and products. System integration projects with public sector institutions have been designed and implemented in banking processes such as TROY national payment system. Legal Department demand tracking system HTS has been developed by Ibtech.

The volume of insurance has increased after insurance sales was integrated with other product sales in all channels.

Software development and infrastructure projects for the Operation Area Support Centers (OSDEM) established within the framework of the bank's restructuring process have been implemented.

The Enpara.com Şirketim application for the companies has been completed.

The new subsidiary established for Consumer Finance's software and infrastructure projects has been implemented by Ibtech.

A big data project has been completed as a pilot in order to facilitate use of large data for analysis which will further be developed in 2017.

The central treatment project has been completed to apply certain rules for customer calls.

Branch personnel have been provided with predictive outbound calls including collection calls. Besides, call center agents are provided with a dynamic scripting on collection screens. Collection flows and scripts can easily be organized by changing the business parameters in this new structure.

For QNB transition, the necessary name and logo transformations in all Information Systems have been carried out in line with the deadline.

Operations

The transactions are performed with the principle of quality, accuracy and fast service, and there is a SLA (Service Level Agreement) duration for all transactions. QNB Finansbank ranks among the best in the sector in terms of SLA durations. In addition, duration times have been improved 20%, with a conformity level of 99% in 2016. The conformity level can be traced instantly.

In 2016, where efficiency became more important, process improvement and automation works have been continued and successful results were achieved in this field as a result of these various projects. Especially by "e-terkin" project (Electronic Mortgage Release), mortgage release transactions are now completed in the electronic environment, which contributes to customer satisfaction in a positive way, provides fast conclusion of the process and the minimization of the operational risk.

"Branch Marketing Service Center" team, who took over the operational processes of branch sales teams, has continued to increase its support to branch sales teams with new business items added to its business portfolio as well as sales campaigns made on regional basis and as a result of these activities, the team has contributed to the Bank's financial targets. With the principle of "Our priority is our customer", active follow-up of customer's transactions and requirements have been carried out, customer calls to our branches are met and as a result of high coverage rate, contribution to customer satisfaction has been achieved.

Direct Banking

Direct Banking continued its efforts for the growth of Direct Banking channels in order to increase customer acquisition and customer satisfaction, ease the workload in branches, and decrease service costs.

Direct Banking Portfolio Management team has continued marketing activities in order to increase the number of Direct Banking customers and to ensure loyalty to the channels. At the end of the year, digital customer penetration ratio reached 35%. As a result of mobile centered marketing efforts and technology investments, Mobile Banking customers reached 1.2 million with an increase by 45%.

Through promotional activities targeting customers preferring branches and with the help of new ATM installations, the migration of branch transactions to Direct Banking channels has continued. As a result, the share of most common cash transactions within the branch decreased to 16%.

Thanks to several new features and services launched for Direct Banking channels (ATM, Internet Banking, Mobile Banking) in cooperation with the Business Development and Strategy Office - Alternative Distribution Channels Team, customers enjoyed an easier and richer digital banking experience. Direct Banking channels also continued to serve as an efficient sales channel; 25% of loan related products were sold via Direct Banking channels.

TROY cards issued by Interbank Card Center (BKM) as Turkey's local payment system started to be accepted by ATMs. QNB Finansbank's ATM network totaled 2,874 of which 1,313 are at branches and 1,561 are at non- branch locations. New investments to increase the number of recycle ATMs consisting of 35% of ATM inventory in order to increase saving on operational expenses, have continued in 2016.

Call Center and Telemarketing

In 2016, QNB Finansbank Telephone Banking received 37.2 million calls, of which 53% ended up at the IVR (Interactive Voice Response) system. Telephone Banking Team also reached 13.3 million customers with outbound calls. Telephone Banking Team also has continued to provide the Bank with well-qualified human resources during the year. 97 customer service representatives were transferred from Call Center to the branches and other departments. Telephone Banking of QNB Finansbank provided sales and services of various financial products to its clients via inbound and outbound calls. Since 2014, SME customers calling branches have been served by SME Cloud Call Center. In 2016, 541 branches were served through SME Cloud Call Center. On a monthly basis, an average of 70,000 customer contacts are handled by SME Cloud Call Center.

Customer Solutions Center

Total number of complaints and objections, which equaled 68,323 in the first quarter of 2016, decreased 34% to 44,683 by the end of 2016.

Customer Solution Center has identified 120 actions to reduce the complaints in 2016 and has completed 100.

QNB Finansbank's quality compliance rate, an important indicator for increased customer satisfaction, increased to 96%.

While the average value of our Net Promoter Score value for 2015 was 1%, it was raised to 18% on average for 2016.

Business Development and Strategy Office

The main responsibilities of QNB Finansbank Business Development and Strategy Office are follow-up of both processes and business workloads, bringing effective E2E or local solutions to sales and operational processes both in branches and ADC (Alternative Distribution Channel), and implementing them according to technological innovations, changing customer needs, regulations and strategies. Important projects in both branch and other channels were implemented in 2016.

Within the scope of Yeni Bireysel Yine Finansçı (YBYF) project, certain changes have been made to roles within the branch, in order to provide sustainable and qualified service to customers. Implementation of the project started in 2015 and was finalized in the first half of 2016.

Studies over digital approval infrastructure, which has been built in order to complete sales in digital channels within the context of distant sales contracts, have continued so as to include other products of the Bank. All product sales can be performed via tablets, internet banking, mobile banking and ATM channels. In 2016, in addition to consumer loans, sales of overdrafts, credit cards and deposit products have also begun to be done through digital approval infrastructure. As a result, significant improvements were recorded in service times and customer satisfaction levels.

In order to support SME banking, agricultural banking and corporate direct sales teams to increase their sales effectiveness, a project that will provide them access to their sales and customer portfolio via tablets, has been initiated. The project has been implemented in one sales region in 2016 and it is planned to cover all regions in 2017.

Projects which were initiated in order to simplify and speed up the loan allocation processes in corporate customer segment have been realized in the first half of 2016.

Improvements were made for Direct Sales Team to be able to offer new products apart from credit cards to the customers via tablets within the project of “Mobil Finansçı Solo Product Sales”. Along with the implementation of the project in the first quarter of 2016, significant improvements have been recorded in customer satisfaction levels as well as sales force capacity. In addition, projects regarding sales processes in the branches are aimed at shortening the application process for credit cards. Related studies are planned to be finalized in the first half of 2017.

Process arrangements regarding centralizing branch operations have been performed in order to increase service quality and operational efficiency in the branch operation processes. For this purpose, technical infrastructure has been built and the implementation of the project has been finalized in the second half of 2016.

Many projects aimed at increasing usage of Mobile Banking channel, with the impeccable cooperation of product owners and Direct Banking business unit, have been completed in 2016.

In 2016, the variety of products and services that customers can enjoy via Mobile & Internet Banking has been increased. Improvements enabling individual customers to meet their cash needs, such as opening overdraft accounts on digital channels and using ready loans, have been accomplished. Digital document approval platform into the internet and mobile banking channels has been integrated. Thus, customers are now able to approve product application documents via digital channels. This also increased the productivity of business processes while shortening the transaction time of the approving documents. Besides, we have made it possible for SME banking customers to use insured loans via internet banking channel.

In addition to these improvements, in line with our vision of making mobile banking channel the main channel for customers to get into touch with the bank, new features and products primarily on mobile banking channel have been offered in 2016. Thanks to the profitable banking packages offered to individual and SME banking customers, customers are able to complete their transactions faster in branches and perform free-of-charge all transactions covered in the package. Individual customers have been offered the opportunity to apply for traffic insurance on QNB Finansbank mobile banking application. In addition to these new products, there have been many improvements, which will make customers' lives easier, such as making payments to more companies and institutions via mobile banking, giving advanced and regular money transfer instructions, and accessing recently sent push notifications easily.

Within the scope of quick menu transformation in ATM channel in 2016, the most frequently used accounts, credit cards and transactions by customers have been provided to the customers in a quick and facilitated manner from the main menu. The same transaction menus have started to be offered at ATM when either credit cards or debit cards are used for login. In order to serve customers' liquidity needs better, customers were given the opportunity to withdraw up to twice their limit, increasing both customer satisfaction and ATM commission revenues. Games of chance transactions, money deposit transactions to HSBC accounts & credit cards, and EFT transactions have been added to the cardless ATM menus. In the card-access menu, transaction variety has been increased with the addition of bill and institution payments, games of chance payments and EFT transactions from accounts or credit cards. Furthermore, access points of customers to banking products have been improved with specialized product suggestions and solutions at the time of transaction. Owing to special projects focusing on our corporate customers, offering special promotions from ATMs and withdrawing money from their overdraft accounts by installments have been made possible. Design and process studies have been initiated in order to renew ATM frontends and flows, and therefore, more dynamic and customer focused solutions will be realized in 2017.

Motivations of customer calls have been analyzed in detail, and thus, projects have been carried out in order to increase the efficiency of Call Center (CC) channel. These projects aim to resolve issues before they occur, to satisfy the need of customers at the self-service channels, and to shorten the duration of calls. Additionally, aiming use of Call Center as a more effective sales channel, consumer loans that can be facilitated via telephone banking and relevant processes have been implemented to provide customers loan application and instant facilitation of approved credits which do not require visits to branches. With the ongoing Call Steering project, which is expected to boost the IVR usage rate, it is anticipated that customers will be able to carry out more transactions on the IVR channel without wasting time. The project is aimed to be deployed in the first half of 2017.

With the collaborative work of Customer Service Center, the number of customer complaints has been significantly reduced by taking actions to prevent the occurrence of complaints and to resolve those complaints at the first contact with the customer.

Standard times of actions of branch and central operations' staff are measured via time study and a staff workload reports are submitted on monthly and daily basis within the department. Preparing the daily workload reports for both central credit operations and centralized branch operations' staff have been carried out during 2016. Projects aiming to prepare daily workload reports for other central operations will continue in 2017. Moreover, business analyses aimed at increasing efficiency and effectiveness in operations processes have been conducted, and several improvement areas have been addressed via IT projects.

Credits

Credits Department aims to manage the quality of the loan portfolio by expert teams in compliance with credit policies set by the Bank, while increasing credit assessment quality in every stage of loan processes via developed models, systems and designed workflows.

Experienced teams are responsible for carrying out credit work cycle operations in all stages from loan application and underwriting to close monitoring and legal proceedings. This structure is also supported by strong analytical and portfolio management organization.

In line with the Bank's principle of decentralization in management, credit underwriting and monitoring activities are carried out, in close cooperation with the field staff, by Head Office and 15 separate underwriting regions.

Written credit policies, credit directions and procedures enable the Bank both to perform effective risk management and to preserve all loan records in the Bank's corporate memory.

Retail Credit (Consumer and Small Business Segments)

Credit policies and strategies are determined according to analytically- driven and rational methods. Credit evaluation and intelligence processes are designed using high technology in a highly automated manner to ensure efficiency and customer satisfaction. To reach targeted portfolio quality, efficient portfolio management is performed using discriminating application and behavioral scorecards.

The Bank aims to provide appropriate limits to right customers as early as possible using data obtained from the Credit Bureau, the Risk Centre integrated in the Bank's Retail Credit Assessment System, and other public authorities.

Collection processes are managed quickly and efficiently with different strategies and sources (internal- external agent calls, sending letters, IVN, SMS, etc.) aimed at various customer segments.

Experienced law firms located countrywide follow collection of loans transferred to prosecution. On the other hand, central collection teams are involved in collection process. Analytical methods are used to determine and monitor targets and realizations of early delay and collections of legal prosecution.

Corporate Credit

Corporate Credit management is carried out in line with the segment division by underwriting, monitoring, and legal prosecution teams who are experts in their respective fields.

In order to support credit assessment processes, in-house obligor's internal rating model for medium size enterprises is employed. For corporate and commercial enterprises, Moody's rating model differentiated for five sectors is used.

All customers in corporate segments are monitored closely through central information sources such as the Risk Centre and the Credit Bureau, early warning systems and behavioral scoring models. All early warning signals are evaluated on time and necessary actions are taken accordingly. In a similar way, the credit decision framework supported by up-to-date financials sustains underwriting and monitoring functions in an appropriate manner.

Teams with expertise in their respective fields evaluate project financing and syndication credit proposals. These teams determine specific requirements of each project, develop the most appropriate financing model, and monitor these projects. In this sense, QNB Finansbank funded many projects in our country.

Treasury

Liquidity Management Desk is responsible for managing the liquidity of the Bank while carrying out the responsibilities of the Bank towards its customers, the CBRT and the BRSA. The desk aims to maintain the optimal liquidity composition in line with the Balance Sheet evolution, growth expectations and business strategies. The Desk fulfills the reserve requirement obligation and monitors the liquidity ratios enforced by the BRSA. The desk performs transactions in Money, Swap and Repo markets and is actively involved in deposit pricing processes.

Asset and Liability Management Desk manages the risks of the Bank's balance sheet and executes funds transfer pricing. The Desk monitors balance sheet items that have the potential of risk exposure, evaluates various developments in terms of risks, and executes the Bank's risk management strategy determined by the Asset and Liability Committee (ALCO). The Desk uses hedging instruments such as interest rate swaps and cross-currency swaps for the purpose of risk aversion.

FX and Fixed Income Markets Division carries out fixed income securities, foreign exchange and derivatives transactions. Trading limits, limit utilization and profitability are closely monitored. FX and Fixed Income Markets Division successfully managed the volatility in the markets in 2016 by analyzing the market risks and took actions that profited the Bank.

The Treasury Sales Desk, with its customized approach to customers' diverse requirements, targets continuous increase in customer base, deal volume, while contributing to QNB Finansbank's leading position in the capital markets. The Treasury Sales Desk provides its customers with innovative derivative products as opposed to conventional products, ranging from risk management ideas to investment products including capital protected investment alternatives.

International Banking

Correspondent Banking and Structured Finance

Correspondent Banking and Structured Finance Division continued to improve the Bank's position regarding foreign trade operations, funding, international payments and treasury operations, by maintaining its wide network of correspondent banks. In 2016, the amount of funding sourced from international markets totaled over USD 3 billion.

In November 2016, QNB Finansbank secured a one-year term syndicated loan from international markets at an amount of USD 103.5 million and EUR 397.6 million with the participation of 30 correspondent banks. The facility, which has a tenor of 367 days, will be used to finance the foreign trade operations of clients, has an all-in cost of Euribor plus 1% for the EURO Tranche and Libor plus 1.10% for the USD Tranche.

The European Investment Fund (EIF) has selected QNB Finansbank as its lending partner for loans to master students through the Erasmus+ guarantees program and SMEs via the EU's COSME program in Turkey in 2016.

The Erasmus+ agreement will support TL 100 million (ca. EUR 31 million) of loans to mobile students undertaking their full master degree (1 or 2 years) in one of the 32 other Erasmus+ Program Countries. The student loans will be provided at favorable conditions without requiring any collateral or third party guarantee, thanks to the support of the EU and is expected to benefit more than 2,000 master students. The agreement between the EIF and QNB Finansbank is the first of its kind in Turkey.

The new COSME agreement will allow QNB Finansbank to provide TL 750 million (ca. EUR 228 million) of loans to over 30 thousand small businesses in Turkey over three years.

Financial Institutions Credit Management

Financial Institutions Credit Management Division, evaluated the risk framework of all domestic & international banks in its portfolio within 2016; Having the tailwinds of the QNB Group with its footprint in three continents and more than thirty countries, FI CMD assisted the Bank in building long term relationships with its clients, correspondents and business partners.

FI CMD assesses the macroeconomic, social and legal factors in different localities, and safeguards the limit/capital adequacy rationale with respect to the Bank's and QNB Group's overall credit/risk policies.

Investor Relations

QNB Finansbank established an Investor Relations Division, for the purposes of protecting the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders, in line with Article 1.1.2 of Part I of the revised Corporate Governance Principles published by the Capital Markets Board in February 2005. The Investor Relations Division, reporting to the Corporate Governance Committee, is managed by Mr. Fikret Şehsuvar Aladağ.

A total of 79 inquiries were received, and a total of 20 meetings were attended by the Investor Relations Division during the financial reporting year concerned. A total of 49 investors, ratings and researched analysts have been met.

Human Resources

Human Resources Policies

Bearing in mind that the most valuable asset is human resources; QNB Finansbank has positioned its human resources policy in a way to provide support for increase in the Bank's performance with the purpose of ensuring that the Bank has sustainable development process by gaining and developing new talent and retaining it. Within this scope, Human Resources policies are summed up in four main fields:

• **Human Resources Planning and Recruitment:** Carrying out the management of the brand as an employer and management of labor force in parallel with the needs of the Bank, and supporting the recruitment process through analysis and business development projects with the purpose of being an employer of choice and attracting skilled people to work in the Bank,

• **Performance Management:** Aimed to achieve success through tangible and measurable criteria and creating engaged employee climate with a fair and transparent system by serving for performance increase of the Bank, in line with individual performances of the employees,

• **Talent and Development Management:** Improving employees' technical and managerial knowledge and skills, retaining employees with potential at the Bank, and contributing to the development of all employees,

• **Engagement and Rewarding:** Developing policies for raising employee engagement and thus increasing their involvement in the Bank's efforts regarding target achievement,

Towards this end QNB Finansbank human resources practices concentrate on the particulars below:

Employer Brand Management and Recruitment

With 93% of new recruitment from Y generation, research is carried out concerning career choices of college students, and university and social media activities are held in accordance with relevant results. According to the research carried out by Realta Company in 2014 and 2015 concerning university students; Finans Up Career Club, selected as the most known career activity in Turkey, helps young people shape their careers.

Contribution of talent acquisition activities to the brand image is measured through the Most Popular Companies research carried out by Realta. While QNB Finansbank was ranked number 8 in 2009 with 4.8% preference ratio among the banks; it was ranked number 1 with the ratio of 16.62% among banks and was ranked number 11 among all companies in 2016.

Performance Management

QNB Finansbank performance management process is a management tool that encourages development with a continuous feedback culture and aims at guiding "Finansçı"s so as to ensure that they deliver high and sustainable performance and develop themselves individually, and at increasing corporate performance through individual performance development.
With the performance measurement carried out semi-annually;

• The high-potential employees, who create difference with their performances, have an impact on the Bank's performance, make contribution to the Bank on target achievements, and/or can make contribution, are determined.

• Targets of the Bank and targets for business lines and division create technical performance results for each employee, whereas the assessment performed concerning determination of development needs of the employees creates the development performance results.

• Strengths and areas of development are assessed on individual basis specific to each employee with customized performance model applied for all the "Finansçı"s. Individual development needs concerning these areas are determined.

• A road map is created with the purpose of determining and following up the actions pertaining to development points. Results are shared with the "Finansçı"s. Individual performance is evaluated with concrete and measurable criteria, in order to increase employee loyalty through a fair and transparent system.

• With "customized performance management process", which was revised as of 2015 and which is applied with the purpose of progress in individual development and career journey of "Finansçı"s and of supporting performance increase of the Bank, QNB Finansbank has been the first institution to become entitled to receive "Honorable Mention" award within the scope of HRM Impact Award organized by Society for Human Resource Management (SHRM).

Employee Engagement

The employee engagement survey exclusive for QNB Finansbank has been conducted every year since 2007 with the purpose of evaluating effects of the satisfaction factors shaping employee engagement. Survey results are examined on the basis of divisions; relevant analyses are made and actions are identified individually for each division with the participation of top management.

According to results of Employee Engagement inventory, QNB Finansbank was entitled to gain "Achievement Award" with 9 points increase in engagement and 18 points increase in satisfaction compared to last year. When areas affecting engagement are examined, the highest increase compared to last year belongs to "Performance Management" field with 10 points. QNB Finansbank is 8 points ahead in engagement area and 9 points ahead in satisfaction area compared to the sector.

Career and Talent Management

QNB Finansbank, aiming at training the managers internally and enabling each "Finansçı" to lead his/her own career way, provides its employees this chance through "Career Architecture" and "Career Bulletin" and performs one-to-one interviews concerning career objectives of the employees through "Career Consulting". Within the scope of "Development Architecture" regarding internal selection of Branch Manager; first assessment center application and then personal development programs are applied.

"360 Degrees Feedback and Development Inventory" is applied with the purpose of increasing personal awareness of employees and determining relevant development needs by focusing on their strengths and development opportunities.

Various development tools such as training programs, coaching and mentorship programs, MBA programs, and domestic/international conferences are also provided within the scope of "Finans Master" with the purpose of enriching leadership skills and administrative abilities of the current leaders and employees with leadership potential.

Training and Development Management

QNB Finansbank involves its employees in a development process lying ahead of them during their career journey right from their first steps. "Finansçı"s, who are newly employed or who have been reassigned, attend certificate programs which are integrated with the career management system.

Employees of QNB Finansbank can also take advantages of Development Catalog integrated with performance system, project trainings exclusive for business lines, trainings domestically/internationally held outside of the Bank and various development tools such as e-training, article, video, book summary through Finarmoni training portal. "Finansçı"s determine development tools suitable for their needs and can reach the tools whenever and wherever they want, through any device.

Besides technical and competency development, trainings that touch private lives of the employees are also provided through these tools in a personalized and simple structure. Focus points of 2016 included the following:

1. Training sessions, which were held with the purpose of ensuring adaptation of employees to the process in parallel with change of Consumer Banking service model;

2. Supporting employees within the scope of centralization of Operation staff;

3. Developing knowledge and skills on loan and sales subjects for ensuring customer satisfaction with mutual business manner; and

4. Supporting Foreign Trade focus of the Bank.

Average period of trainings provided during the year of 2016 per employee was seven days, whereas the utilization ratio of the employees from such training activities was 98%.

Remuneration Management

Objective of remuneration management in QNB Finansbank is to gain new talents and increase employee engagement, satisfaction, motivation and synergy. Accordingly, a fair and transparent pricing methodology, compliant to the Bank's ethical values and internal balances, is implemented. Awarding, which prevents excessive risk taking in the ratio of the additional value created and focuses on individual and integrated target-performance, is encouraged, and thus support is provided for strategic targets of the Bank and increase in productivity is attained. Within the scope of the Bank's premium and bonus models, each employee was paid an amount equal to approximately two months' salary in 2016, on the basis of the performance. Employees have many benefits in various fields such as health, leave of absence, transportation, meal, communication and technological opportunities, aid packages and employee support services.

"+1" appreciation and recognition program created to appreciate the employees who act in compliance with the values of the Bank and to encourage such acts, continued its activities.

Internal Communications Management

In 2016, 40,072 employees of QNB Finansbank came together in 351 activities organized in different provinces by Internal Communications Management that helps "Finansçı"s to have a good balance between their professional and private lives; that aims to contribute to employee engagement and satisfaction thus increasing motivation and to make them enjoy the privilege of being a "Finansçı". In addition to the activities, discount agreements were made with 252 companies within the year and shopping opportunities were provided to "Finansçı"s.

Legal Counseling

In order to comply with the decrees of the Privacy Act, QNB Finansbank initiated an integration and training program with the participation of all related business units and revised all relevant procedures and instructions. In order to comply with the provisions of the Law on Pledges over Movable Assets in Commercial Transactions an integration project was initiated, and there is ongoing work on revision of relevant procedures and agreements. The Regional Delegacy project was brought to life, and relevant regional offices and branches were duly visited.

In 2016, Legal Counseling responded to more than 58 thousand legal inquiries received via the "Legal Inquiry Application" system, and related cases within the jurisdiction of the department were monitored. In addition, legal training sessions on, in particular, the Banking Law, the Code of Obligations, Law on Competition and Consumer Law have been given to the personnel.

Subsidiaries and Affiliates

Cigna Finans Pension and Life (Cigna Finans Emeklilik A.Ş.)

Cigna Finans Emeklilik ve Hayat A.Ş., a private pension and life insurance company, was established in 2007 as Finans Emeklilik ve Hayat A.Ş., a 99.9% subsidiary of QNB Finansbank.

In 2012, Cigna, one of the world's leading health and life insurance companies, entered into a partnership agreement with QNB Finansbank to expand its operations in Turkey and the merger of Cigna and Finans Emeklilik became official.

Cigna Finans grew stronger with the merger of QNB Finansbank, one of the leading banks in Turkey, and Cigna, a global leader of its sector and takes as a mission to improve customers' wellbeing thanks to its more than insurance solutions, global experience, wide service network, and innovative products.

Cigna Finans achieved in life insurance branch 5.5% market share through TL 249 million premium production and it achieved 8.2% market share in personal accident insurance branch with TL 25.5 million premium production among the life and pension companies, according to data announced by the Insurance Association of Turkey (TSB) on November 2016, . As a result, Cigna Finans succeeded to grow by 20% in life and personal accident branches combined. Funds of participants in pension branch grew by 14.8% compared to end of 2015, and reached TL 562 million total net asset value of fund, according to the official data announced by the Pension Monitoring Center published on 23.12.2016.

QNB Finans Leasing (Finans Finansal Kiralama A.Ş.)

Finans Leasing is one of the first established companies in the sector. Since its establishment in 1990, Finans Leasing has been playing an active role in financing investments. As one of the leading companies in the sector its strategy has always been customer oriented approach and tailor made financing models for customer needs. Finans Leasing has been one of the leading companies with a widespread branch network in Anatolia, sustaining the benefit of analyzing the needs of SME's on-site. Today, Finans Leasing operates with thirteen branches, with one in the Free Trade Zone where it identifies the market needs promptly and provides the most appropriate solutions for its customers.

Finans Leasing managed to increase its business volume in 2016 by 54%. As of yearend leasing receivables reached TL 2,701 million. In line with the current strategy, Finans Leasing continued to focus on small and medium sized enterprises in 2016. Finans Leasing has signed an agreement with European Investment Bank for the amount of EUR 100 million to finance investments of small and medium sized enterprises.

Major sectors in leasing portfolio is construction, textile and manufacture. In line with the leasing sector Finans Leasing has realized sale and leaseback transactions, therefore increasing the share of real estate in its portfolio.

QNB Finans Factoring (Finans Faktoring A.Ş.)

Finans Faktoring A.Ş. operates with fourteen branches all over Turkey and head office located in Istanbul, started its operations on October, 2009.

Finans Factoring, where QNB Finansbank is the main shareholder with 100% shares, has targets to grow by developing with customers who are most preferred solution partners and being among the top 10 companies in the sector. At the end of 2016, turnover reached TL 2.1 billion, Factoring receivables amounted to TL 750 million with an annual growth rate of 33%. In line with the strategy, the share of small and medium-sized companies in the portfolio increased in 2016 and the number of customers reached to 1,545. The volume of international factoring increased by 49%.

QNB FinansInvest (Finans Yatırım Menkul Değerler A.Ş.)

FinansInvest was established in 1996 and its current paid-up capital is TL 50 million. Its main shareholder is QNB Finansbank, which owns 99.8% of the company shares.

Through its fifteen branch offices and QNB Finansbank branches, FinansInvest offers services such as equity trading, portfolio management, corporate finance, margin trading, short selling, share loans, investment consultancy, derivative trading, leveraged trading and international investments, collective and individual custody services, mutual fund services, Takasbank fund platform services, and risk management services. Furthermore, FinansInvest customers can perform all brokerage operations over finansonline.com in a fast and secure manner.

As of 2016, FinansInvest is ranked ninth among the brokerage houses in Turkey in terms of equity transaction volume, with a market share of 3.8%.

QNB Finans Asset Management (Finans Portföy Yönetimi A.Ş.)

Finans Asset Management is founded in September 2000 and its main shareholder is FinansInvest (99.96%). Finans Asset Management plays a leading role in the sector by managing seven Exchange Traded Funds (ETF), fourteen Mutual Funds, nine Pension Funds and private portfolios of high-income individuals and companies. Finans Asset Management holds 84% of the ETF market in 2016. Compliant to the permission of the Capital Markets Board dated 17.04.2015 under the new legislation, Finans Asset Management was re-established as a fund management company.

With a paid-in capital of TL 5 million, Finans Asset Management held a market share of 1.5% and its AUM reached TL 1.5 billion.

eFinans (eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)

eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (eFinans) whose majority shares are owned by QNB Finansbank, was established on 10.09.2013 to provide e-Transformation products and relevant value added services. eFinans has shown a profoundly successful performance and declared an operating profit at the end of its first fiscal year.

eFinans has been providing services in four main products, e-Invoice, e-Ledger, e-Archive and finally Registered Electronic Mail (REM since its establishment. eFinans, with its expanding operations, provides services to almost 6,000 customers with a total of almost 9 thousand products including e-Invoice, e-Ledger, e-Archive and REM.

In addition to being the first Turkish member of the European E-Invoicing Service Providers Association (EESPA), eFinans has signed an agreement with

Basware, one of the leading e-Invoice and financial service providers in Europe for e-Invoice projects and foreign trade operations in Turkey.

eFinans competes with other service providers that are ERP dependent with its ERP independent structure and original connection software programs integrated with eFinans web service applications developed by over 110 different ERPs. The company has become the brand of choice for taxpayers with its value added services provided in partnership with QNB Finansbank.

With the infrastructure integrated with eFinans services of QNB Finansbank, the first e-Credit based on the disposition of e-Invoices in Turkey can be provided by QNB Finansbank. e-Invoice guaranteed loan structure represents a first within the global e-Invoice finance operations.

With Finans Yıldızı, cloud-based application of QNB Finansbank, DDS (Direct Debiting System) transactions as well as all payment transactions of taxpayers can be integrated with eFinans infrastructure and the Bank provides unlimited cash management options to its customers.

Hemenal Finansman A.Ş. (PSA Finansman A.Ş.)

PSA Finansman A.Ş. was established in 2008 as a 100% QNB Finansbank subsidiary under the name Finans Tüketici Finansmanı A.Ş., for consumer finance transactions. In 2012 shares were transferred to Banque PSA Finance, the bank of French automotive group PSA, and upon becoming a financing company in the auto sector its title was changed to PSA Finansman A.Ş. On December 14, 2015 99.99% of the company, with a paid-up capital of TL 20 million, were transferred to QNB Finansbank. Title of the company was changed to Hemenal Finansman A.Ş. in April 2016. IT structure has been completed in June 2106 with pilot sales and the company is fully operative since October 2016. In December 2016, capital of the company has been increased to TL 70 million from TL 20 million with TL 20 million paid in cash. Having experienced and specialized team members, competitive and flexible IT structure, and QNB Finansbank's know-how Hemenal aims to be the leader in consumer loans. The company started to acquire reputable partners to build a retailer network especially in white and brown goods. Hemenal targets to reach approximately two thousand outlets by the end of 2017.

Non-banking financing market experienced an annual growth of 25% on the average since 2006, mainly due to auto financing. As a result of new players joining especially in consumer finance, at yearend 2016, the number of non-banking financing companies reached 14.

IBTech

IBTech was established in 2005 and is located in İstanbul. IBTech's focus is to provide software design and enhancement, such as Core Banking (Core Finans), credit cards and Internet banking, and to develop applications for the use of the Group. As of December 31, 2016, the total assets of IBTech reached TL 46.5 million and net profit was TL 1.4 million.

Bantaş

Bantaş was established in 2009. Bantaş is 33.33% owned by the Bank, with Denizbank A.Ş. and Türkiye Ekonomi Bankası A.Ş. each holding 33.33%, and is located in Istanbul. Bantaş securely carries assets between branches and cash centers and gives ATM cash support. As of December 31, 2016, the total assets of Bantaş amounted to TL 50.1 million, and net profit was TL 7.9 million.

Board of Directors

Dr. Ömer A. Aras
Chairman of the Board of Directors and Group

Dr. Aras earned a bachelor's degree in Economics from the Economic and Commercial Sciences Academy in 1975. He received an MBA in 1978 and a PhD in 1981 from Syracuse University. Dr. Aras served as a faculty member in the Business Administration Department at Ohio State University until 1984. Between 1984 and 1987, he worked as Credit Marketing Manager and Credit Committee Member at Citibank. Dr. Aras participated in the founding of QNB Finansbank in 1987, and served as Executive Vice President for two years and as General Manager for six years. From 1989 to 2006, he served as Vice Chairman of Fiba Holding. Between 2003 and 2007, he was a Board Member of the Turkish Industry and Business Association (TUSIAD). From November 2006 until April 2010, Dr. Aras served as the Vice-Chairman of the Board of Directors of QNB Finansbank and Unit CEO of QNB Finansbank. Since April 2010, Dr. Aras has been serving as the Chairman and Unit CEO.

Sinan Şahinbaş
Vice Chairman of the Board of Directors

Mr. Şahinbaş earned a bachelor's degree in civil engineering from İstanbul Technical University, Faculty of Engineering in 1988. He received master's degrees in International Relations from İstanbul University and in Finance from Yeditepe University. He started his professional career

At QNB Finansbank in 1990 and served in different positions in various departments of the Bank. He worked in the establishment of the representative offices of Finansbank (Suisse) SA and Finansbank (Netherlands) NV in Turkey. In 1997, he was appointed Executive Vice President of Garanti Bank (Netherlands) NV. A year later, Mr. Şahinbaş moved back to Finansbank (Netherlands) NV and served as the General Manager between 1999 and 2001. He became Senior Executive Vice President at QNB Finansbank in 2001 and served as General Manager from 2003 to 2010. Mr. Şahinbaş was appointed Vice Chairman in April 2010.

Abdulla Mubarak Al-Khalifa
Member of the Board of Directors

He joined Qatar National Bank in 1996 and is the Executive General Manager and Group Chief Business Officer. He holds a Bachelor's Degree in Business Administration from Eastern Washington University, USA. Currently, he is a board member in QNB ALAHLI S.A.E. (Egypt), Housing Bank for Trade and Finance (Jordan), QNB Capital LLC and QNB Finance Ltd.

Ali Rashid Al-Mohannadi
Member of the Board of Directors

He joined Qatar National Bank in 1996 and is the current Executive General Manager and Group Chief Operating Officer. He holds a Bachelor's Degree in Computer Science from Qatar University. Currently, he is a board member in QNB ALAHLI S.A.E (Egypt) and Commercial Bank International PSC (UAE).

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

Mr. Kerman received his undergraduate degree in Economics from Hacettepe University in 1980 and obtained his master's degree in Project Planning and

National Development from University of Bradford in 1982. He began his career at the Turkish Treasury where he held several positions, including Deputy Undersecretary responsible from Regulation of Banking, Non-banking sector, Foreign Exchange, Insurance and Department of Administration. In 2000, he was appointed the Vice President responsible from Regulation, Enforcement and Licensing of the newly established Banking Regulation and Supervision Agency (BRSA). He also served as a Board Member of Savings

Deposit Insurance Fund (SDIF) for three years and Chairman of the Board in Generali, EGE and Toprak Insurance Companies. Mr. Kerman retired in April 2005 and set up KDM Financial Consultancy. In April 2013, Mr. Kerman was appointed Member of the Board of Directors of QNB Finansbank. Since 2014, he also serves as the Chairman of the Audit Committee.

Durmuş Ali Kuzu
Member of the Board of Directors

Following the graduation from Business Management Department of Faculty of Political Sciences in Ankara University in 1996, Mr. Kuzu completed his MBA in Urbana Illinois University in 2008 and is enrolled in the Ph. D program at Başkent University. He began his professional career in 1996 in Vakıfbank and went on in 1997-1999 to Türkiye Emlak Bankası. In years to come, he worked in various positions, including Vice Presidency and managerial positions, at the Undersecretariat of the Treasury, Public Oversight Accounting and Auditing Standards Authority and Banking Regulation and Supervision Agency (BRSA). In August 2016 he was appointed Member of the Board and Member of Audit Committee at QNB Finansbank.

Fatma A Al-Suwaidi
Member of the Board of Directors

She joined QNB in 1999 and is the Assistant General Manager of Group Credit. She holds a Bachelor's Degree in Accounting and a Master's Degree in Risk Management and an MBA degree from Qatar University. Currently, she is a board member at QNB Tunisia and Commercial Bank International PSC (UAE).

Grant Eric Lowen
Member of the Board of Directors

He joined QNB in 2012 and is the current General Manager and Group Chief Risk Officer. He is a qualified Chartered Accountant and member of Chartered Accountants Australia and New Zealand. He is a graduate member of Australian Institute of Company Directors, Member of The Institute of Internal Auditors - Australia and a graduate of Wharton RMA Advanced Risk Management from University of Pennsylvania, Philadelphia, USA. He has previously served as the Head of Risk Management and Group Auditor at Commonwealth Bank of Australia and senior Risk and Finance roles with Westpac Banking Corporation. Currently, he is a board member at QNB ALAHLI S.A.E (Egypt) and a member of the Board of Commissioners at QNB Indonesia.

Osman Reha Yolalan
Member of the Board of Directors

He has worked at Tekfen Holding as Vice President in charge of Corporate Affairs since 2006. He studied Industrial Engineering at Istanbul Technical

University and holds a Master's degree from Boğaziçi University in Industrial Engineering and a PhD Degree in Management Sciences from Laval University, Quebec-Canada. He started his banking career as a specialist at Yapı Kredi in Strategic Planning Department. He worked as Head of Corporate and Economic Research Department between 1994 and 2000 and as Executive Vice President in charge of Financial Analysis and Credit Risk Management between 2000 and 2004. He was appointed as CEO of Yapı Kredi and member of the Board of Directors between 2004 and 2005. He is a part-time professor at a number of universities in Turkey and writes in a number of journals in the field of bank management.

Ramzi Talat A Mari
Member of the Board of Directors

He joined QNB in 1997 from Jordan Bank and is the current General Manager and Chief Financial Officer. He completed the Certified Public Accountant Examination from the State of California, USA and holds Master's Degree in Accounting from USA. Currently, he is a board member at QNB ALAHLI S.A.E. (Egypt), Housing Bank for Trade and Finance (Jordan), QNB Capital LLC and Qatar International Holding LLC.

Temel Güzeloğlu
Member of the Board of Directors and General Manager

Born in 1969, Mr. Güzeloğlu has BA degrees from the Electrical and Electronics Engineering and Physics Departments of the Boğaziçi University. Güzeloğlu was later entitled to an MA degree from the Northeastern University, Boston-Massachusetts Electrical and Computer Engineering and an MBA from Bilgi University, Istanbul. Güzeloğlu worked as the Executive Vice President of Finansbank A.Ş. responsible for Consumer Banking until August 2008. He then served as Executive Vice President responsible for Retail Banking and Member of Management Committee of QNB Finansbank in August 2008. Mr. Güzeloğlu was appointed as General Manager in April 2010.

Prof. Dr. Mustafa Aysan
Consultant

Prof. Aysan graduated from Istanbul University, Economics Department. He received his MBA degree from Harvard University in 1959 and became a professor in 1974. He taught in various Turkish and international universities between 1968 and 2000. Prof. Aysan served as the Head of the Committee for the Restructuring of State Economic Enterprises from 1964 to 1968, as Head of the Budget Committee of Turkish Republic Advisory Council in 1981 and as the Minister of Transportation from 1982 to 1983. Between 1993 and 2016, Prof. Aysan was a member of the Board of Directors of Finansbank A.Ş. Since August 2016, Prof. Aysan has been working as an advisor to the Chairman of the Board.

Senior Management

Adnan Menderes Yayla
Executive Vice President

Mr. Yayla earned a bachelor's degree in Economics from Ankara University, Faculty of Political Sciences in 1985 and an MBA degree from the University of Illinois at Urbana-Champaign in 1994. He worked as an Assistant Auditor and Auditor for the Ministry of Finance from 1985 to 1995, as Project Valuation Division Head for Privatization Administration from 1995 to 1996; Managing Director, Senior Managing Director and Partner of PricewaterhouseCoopers offices in İstanbul and London from 1996 to 2000 and Executive Vice President in charge of Financial Control and Risk Management for Türk Dış Ticaret Bankası (Fortis) from 2000 to 2008. Having joined QNB Finansbank in May 2008, Mr. Yayla has been serving as Group Chief Financial Officer since.

Ahmet Erzengin
Head of Internal Control and Compliance

After graduating from Middle East Technical University, Department of Public Administration, Mr. Erzengin worked at Pamukbank from 1988 to 1993. He joined Finansbank A.Ş. in 1993 as Banking Regulations Manager. In 1996, Mr. Erzengin was appointed Head of Operations in charge of branch and headquarter operations. With the establishment of the Operations Center in 2001, he served as Head of Operations Center until 2005. At the beginning of 2006, Mr. Erzengin assisted in the establishment of the Compliance Department and was appointed Head of Compliance. In September 2012, Mr. Erzengin was appointed Head of Internal Control and Compliance.

Bülent Yurdalan
Head of Internal Systems

Having graduated from the Faculty of Management Sciences of Eskişehir Economic and Commercial Sciences Academy in 1980, Mr. Yurdalan started his banking career at Pamukbank in 1982 and subsequently moved to Citibank. He joined QNB Finansbank in early 1988, and assumed positions in the Branch Operations, Internal Audit, Treasury Operations and Accounting departments of QNB Finansbank and senior positions in some Fiba Unit banks. Mr. Yurdalan was appointed the Head of Internal Audit Division in 2003 and subsequently served as the Executive Vice President in charge of Retail Credit. In August 2013, he was assigned as the Head of Internal Systems.

Elsa Pekmez Atan
Executive Vice President

Ms. Pekmez Atan received her undergraduate degree in Business Management at Boğaziçi University in 1999 and obtained her master's degree in Business Management at Harvard University. She worked as an Analyst at McKinsey & Company in 1999-2002 and as junior partner in 2004-2010. She joined QNB Finansbank and assumed positions as Process Management Group Manager, Strategic Planning and Analytics Group Manager, CEO Office Group Manager and Enpara.com Department Manager. From 2013 to 2015 she worked as the Director of Enpara.com. In May 2015, she was assigned as Executive Vice President in charge of Enpara.com and Customer Experience Office.

Emel Yılmaz Özbay
Executive Vice President
Mrs. Özbay received a bachelor's degree in Law from Istanbul University in 2000. She has worked at various law firms since 1999. In 2002 she worked as a lawyer at Koçbank A.Ş. Upon joining Finansbank A.Ş. in March 2004, she worked in various positions within Legal Department, including Foreign and Domestic Agreements Unit Manager and Counseling Department Manager. Mrs. Özbay worked as General Counsel from July 2015 to February 2016. In February 2016 she was appointed to her current position as Executive Vice President in charge of Legal Affairs.

Emine Özlem Cinemre
Executive Vice President
Mrs. Cinemre graduated from Boğaziçi University, Department of Business Administration in 1988. She started her career in the same year within the International Banking Division of QNB Finansbank. Between 1988 and 1997, Mrs. Cinemre assumed various responsibilities at QNB Finansbank. In 1997, she was appointed Executive Vice President responsible for Financial Institutions. Currently, Mrs. Cinemre serves as Executive Vice President in charge of International Relations including Correspondent Banking and Structured Funding, International Business Development, Financial Institutions Credit Management and Investor Relations.

Engin Turhan
Executive Vice President
Turhan received his undergraduate degree in Economics at School of Economics and Administrative Sciences, Marmara University and obtained his master's degree in International Political Economy and Management. Turhan began his banking career in the MT program at Finansbank A.Ş. in 2003. He worked in various sections in Loans Department. Following that, he went onto Project Finance and worked in specialist and managerial positions in Project Monitoring, Project Appraisal, Corporate Finance and Syndicated Loans until 2005. In 2012 he was appointed Corporate Banking Structured Finance and Syndicated Loans Group Manager. In 2014, he took over Derivative Products Sales and was appointed Director. Commercial Banking was added to his current duties and as of June 2016 he has been working as Executive Vice President in charge of Commercial Banking and Project Finance.

Enis Kurtoğlu
Executive Vice President
Mr. Kurtoğlu graduated from Boğaziçi University Electrical Engineering Department in 1999 and received his master's degree (MBA) in Business Management at London Business School in 2006. He worked in various managerial positions in sales and marketing at Citibank Turkey in 1999-2002, at Citibank Europe, Middle East and Africa Region, London head office in 2002-2006. Working as Marketing Director at Citibank Turkey in 2006-2010, Mr. Kurtoğlu joined QNB Finansbank in 2010 as Group Manager responsible for Retail Products. He served as Mass Banking Director in 2012-2014 and as Mass Banking and Direct Sales Director until May 2015. In May 2015, he was assigned as Executive Vice President in charge of Retail Banking.

Erkin Aydın
Executive Vice President
Mr. Aydın earned a bachelor's degree in Civil Engineering at Boğaziçi University, Faculty of Engineering in 1997 and an MBA at the University of Michigan, School of Business in 2003. Mr. Aydın started his career as a Business Development and Project Engineer at Guy F. Atkinson Construction in the USA in 1998. Later, he worked as a Project Manager for Clark Construction Unit. In 2002, Mr. Aydın joined McKinsey & Company in İstanbul and worked respectively as Consultant, Project Manager and Associate Partner. He started to work for QNB Finansbank in 2008 as Head of Housing and Consumer Loans. As of February 2010, Mr. Aydın was appointed Retail Marketing Coordinator. He was later appointed as Executive Vice President in charge of Retail Banking in May 2011 and as the Executive Vice President in charge of Retail Banking and Payment Systems in October 2013. He has worked as the Executive Vice President in charge of Consumer Banking, Payment Systems and Financial Institutions since June 2016.

Ersin Emir
Head of Internal Audit
Mr. Emir graduated from Middle East Technical University in 1994 with a bachelor's degree in Business; he earned a master's degree in Organizational Psychology from the University of London in 2010. He started his banking career in 1995 as Assistant Auditor in İş Bankası. Mr. Emir started working at the Internal Audit Department of QNB Finansbank as Auditor in 1998. He was appointed Vice President of Internal Audit in 2004 and assumed responsibilities of the Head Office and Subsidiary Audits in the last two years in this capacity. Mr. Emir was appointed Head of Internal Audit in March 2011.

Filiz Sonat
Executive Vice President
Ms. Sonat received bachelor's degrees in Mechanical Engineering from İstanbul Technical University and in Business Administration from Anadolu University. After working as a Mechanical Engineer at a private construction company between 1982 and 1986, she started her banking career at İktisat Bankası in 1987 and served as Executive Vice President at Sümerbank in 1998. Ms. Sonat joined QNB Finansbank in 1999 and served as Coordinator in charge of Credit until 2007. She worked as Executive Vice President in charge of Corporate and Commercial Credit from 2007 until October 2013, when she became the Executive Vice President responsible for Corporate Credit. As of 2016, she was appointed as the Executive Vice President in charge of Credits Monitoring.

Hakan Alp
Executive Vice President
Mr. Alp graduated from Ankara University, Faculty of Political Sciences, with a bachelor's degree in International Relations in 1989. He worked for the Internal Audit Department at Garanti Bank between 1991 and 1997 where he also served as Senior Vice President in charge of Training from 1997 until 1999. He then started working for Humanitas Doğuş Human Resources Management and served as Executive Vice President in charge of Training, Executive Development, Finance and Administration and Operations from 2000 to 2003. He held the position of Executive Vice President in charge of Human Resources from 2003 until 2005 at Tansaş and from 2005 to 2006 at Sütaş. In 2007, he became Senior Vice President in charge of Human Resources at QNB Finansbank. Mr. Alp was appointed Executive Vice President in charge of Human Resources as of July 2010.

Halim Ersun Bilgici
Executive Vice President
After receiving a bachelor's degree in Law from Ankara University in 1991, Mr. Bilgici received a master's degree in Economics from Yeditepe University in 2008. He started his banking career at İktisat Bankası in 1992. In 2002, he started working as the Coordinator of Retail Marketing at Şekerbank. Mr. Bilgici began working at QNB Finansbank's Credit Department in 2003. He was appointed Coordinator of Retail Credit in 2012. As of October 2013, he has been serving as the Executive Vice President responsible for Retail and Commercial Credit.

Hasan Murat Şakar
Executive Vice President
Mr. Şakar holds a bachelor's degree in Industrial Engineering from İstanbul Technical University. He worked as Business Unit Manager at Rehau Polimeri Kimya Sanayi from 2002 to 2005 and as Purchasing Manager at Arçelik between 1992 and 2002. Mr. Şakar served as the Coordinator of Purchasing and Technical Services at QNB Finansbank from March 2005 until August 2008. He was appointed Executive Vice President in charge of Purchasing and Support Services in August 2008.

Köksal Çoban
Executive Vice President
Mr. Çoban graduated from Middle East Technical University with a degree in Business Administration and earned a master's degree in Finance from City University. He worked for the Turkish Eximbank and Demirbank between 1995 and 1997. Mr. Çoban joined QNB Finansbank Treasury in 1997 as International Markets Manager and served as Director of International Markets from 1998 to 2000. Beginning in 2000, he assumed various managerial positions within the Treasury Department. Mr. Çoban was appointed Executive Vice President in charge of Treasury in August 2008.

Mehmet Kürşad Demirkol
Executive Vice President
Mr. Demirkol graduated from the Faculty of Electrical and Electronics Engineering at Bilkent University in 1995 and subsequently earned MSc and PhD degrees from Stanford University. He worked as an Application Engineer at Oracle-Redwood between 1996 and 1997 and as a Research Assistant at Stanford University from 1997 to 1999. He served as Senior Associate at the Atlanta and İstanbul offices of McKinsey & Company from 1999 until 2003. Mr. Demirkol worked as the Unit Head of Business Development and Strategy Department at QNB Finansbank in 2004 and as Vice President of Information Technology and Card Operations at Finansbank Russia in 2005. He then served as Business Development and Marketing Director at Memorial Healthcare Unit from 2005 to 2007. He worked as Chief Information Officer of Vakıfbank in 2007 before undertaking the post of Chief Operating Officer in charge of Operations and Alternative Distribution Channels in 2008. Since October 2010, Mr. Demirkol has been working at QNB Finansbank as Executive Vice President in charge of Information Technologies, ADC and Business Development.

Metin Karabiber
Executive Vice President
Mr. Karabiber graduated from Çukurova University, Industrial Engineering Department. He began his banking career as a Marketing Specialist at Interbank in 1985. He then worked as a Branch Manager at İktisat Bankası from 1990 to 1995, at Demirbank between 1995 and 1997 and at Finansbank A.Ş. from 1997 until 1998. Mr. Karabiber served as Executive Vice President at Sümerbank during 1998 and 1999. Subsequently, he worked as Regional Manager at Fortis Bank between 1999 and 2003, and as Executive Vice President responsible for Retail Banking and Sales from 2003 to 2010. As of October 2010, Mr. Karabiber joined QNB Finansbank as Executive Vice President in charge of Commercial Banking. As of October 2013, he became the Executive Vice President responsible for Medium and Micro Sized Enterprises and Agricultural Banking. Since June 2016, having left his position as EVP, he is serving as the CEO of Finans Leasing.

Murat Koraş
Executive Vice President
Mr. Koraş graduated from Boğaziçi University Industrial Engineering Department in 1999 and received his master's degree in business management at Özyeğin University. He worked as a management trainee at QNB Finansbank in 1999-2001. In 2004 worked as assistant manager at Aviva. Between September 2004 and 2012 he worked in QNB Finansbank as assistant manager at Strategy Office, in Data Mining Department, as Analytical Marketing and Unit Manager, and Portfolio Management and Analytics Group Manager. In 2012-2015 Mr. Koraş served as the Director of Retail Payment Systems. In May 2015, he was assigned as Executive Vice President in charge of Payment Systems.

Onur Özkan
Executive Vice President
Mr. Özkan received his undergraduate degree in management and political science and international relations at Boğaziçi University in 2005 and his master's degree in the Finance Engineering Department of the same institution. Between 2004 and 2001 he worked in QNB Finansbank as Manager in High Income Deposits and Investment, Unit Manager at High Income Segment, Group Manager of Retail Segments Management, Group Manager of High Income Segment and Sector Banking Management. In 2012-2013 he served as Director of High Income Segment and Sector Banking Management, as Director of High Income Segment and Private Banking in 2013-2014, and until May 2015, as Director of High Private Banking and Income Segment and Sector Banking Management. In May 2015, he was assigned as Executive Vice President in charge of Private Banking and Asset Management. In June 2016 he was appointed as Executive Vice President in charge of SME and Agricultural Banking.

Osman Ömür Tan
Executive Vice President
Mr. Tan earned a bachelor's degree in Statistics from Hacettepe University. He began working at Yapı Kredi Bankası as a Management Trainee in 1995 and joined Finansbank A.Ş. in 1998. He has served respectively as Corporate Branch Customer Relationship Manager, Corporate Branch Manager, Division Manager in charge of Head Office Key Accounts and Division Manager in charge of Corporate Banking. Mr. Tan was appointed Executive Vice President in charge of Corporate Banking, in October 2011. Since October 2013, he has been serving as the Executive Vice President responsible for Corporate and Commercial Banking.

Zeynep Aydın Demirkıran
Head of Risk Management
Mrs. Demirkıran has a bachelor's degree in Economics from Bilkent University and master's degree in Economics from Georgetown University in Washington DC. She taught at Georgetown University until December 1998. Mrs. Demirkıran then worked as a Specialist within the Risk Management Department of İş Bankası between 1999 and 2002. She joined Finansbank A.Ş. in 2002 and assumed the responsibilities of Senior Risk Manager and Basel II Program Coordinator. In September 2011, Mrs. Demirkıran was appointed Head of Risk Management.

Executive Committees under the Board of Directors

Audit Committee

On behalf of the Board of Directors, Audit Committee is responsible for monitoring the effectiveness, efficiency and adequacy of the internal systems of the Bank, functioning of these systems together with accounting and reporting systems in accordance with Laws and applicable regulations and the integrity and reliability of information generated by these systems; making necessary preliminary evaluations required for the selection of the independent auditors and rating, valuation and support service institutions by the Board of Directors; regularly monitoring the activities of the institutions selected and contracted; ensuring that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and in coordination with internal audit activities of the Bank.

Members of Audit Committee:

• A. Teoman Kerman: Member of the Board of Directors and Chairman of the Audit Commıttee

• Durmuş Ali Kuzu: Member of the Board of Directors

• Ramzi Talat A Mari: Member of the Board of Directors

• Fatma A Al-Suwaidi: Member of the Board of Directors

Board Risk Committee

The Risk Committee is responsible for defining the Bank's risk management policies and strategies, reviewing all types of risks that the Bank is exposed to, monitoring the implementation of risk management strategies and bringing important risk-related issues to the attention of the Board.

Members of the Risk Committee are:

• Dr. Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Grant Eric Lowen: Member of the Board of Directors

• Ali Rashid Al-Mohannadi: Member of the Board of Directors

• A. Teoman Kerman: Member of the Board of Directors and Chairman of the Audit Committee

Credit Committee

The Credit Committee examines, evaluates and approves the loan limits falling under the authority of the Board of Directors in accordance with the Bank's loan strategies and the relevant legislation. The Credit Committee also monitors the quality of the Bank's loan portfolio, takes part in, and manages the approval process for loans.

Members of the Credit Committee are:

• Dr. Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma A Al-Suwaidi: Member of the Board of Directors

• Abdulla Mubarak N. Alkhalifa; Member of the Board of Directors

•Temel Güzeloğlu: General Manager and Member of the Board of Directors

Corporate Governance Committee

Corporate Governance Committee is responsible for strengthening the Bank's corporate governance policies, its level of adherence to corporate governance principles, and to submit related proposals to the Board of Directors.

Members of the Corporate Governance Committee are:

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• A. Teoman Kerman: Member of the Board of Directors and Chairman of the Audit Committee

• Ramzi Talat A Mari: Member of the Board of Directors

• Osman Reha Yoalan: Member of the Board of Directors

• Fikret Şehsuvar Aladağ: Division Manager, Investor Relations

Remuneration Committee

The Remuneration Committee defines the remuneration and incentive policies for Board Members and senior managers, and advises the Board of Directors on such matters in order to ensure the compliance of such policies with the Bank's ethical values, strategy implementation and targets.

Members of the Remuneration Committee are:

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Ali Rashid Al-Mohannadi: Member of the Board of Directors

Other Executive Committees

Corporate Credit Policies Committee

The Corporate Credit Policies Committee is responsible for defining corporate loan policies, strategies and procedures while determining risk limits in line with the Bank's risk appetite, and approving changes in these limits. Its responsibilities also include monitoring the performance of the Bank's corporate, commercial risks and ensuring that the Bank's corporate and commercial loan practices comply with legal regulations, and the principles of the QNB Group.

Members of the Corporate Credit Policies Committee are:

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma A Al Suwaidi: Member of the Board of Directors and Audit Committee

• Temel Güzeloğlu: General Manager and Member of the Board of Directors

• Filiz Sonat: Executive Vice President, Corporate Credits

• Halim Bilgici: Executive Vice President, Retail and SME Credits

• Ömür Tan: Executive Vice President, Corporate and Commercial Banking

• Engin Turhan: Executive Vice President, Commercial Banking and Project Finance

Retail Credit Management and Policies Committee

The Retail Credit Management and Policies Committee is responsible for defining policies and strategies regarding the Bank's retail loan portfolio and approving amendments to these strategies. It is responsible for measuring, evaluating and monitoring the performance of all retail loan risks and ensuring that the Bank's retail loan practices comply with legal regulations and the principles of the QNB Unit.

Members of the Retail Credit Management and Policies Committee are:

• Fatma A Al Suwaidi: Member of the Board of Directors and Audit Committee

• Temel Güzeloğlu: General Manager and Member of the Board of Directors

• Erkin Aydın: Executive Vice President, Retail Banking, Payment Systems and Financial Institutions

• Halim Bilgici: Executive Vice President, Retail and SME Credit

• Onur Özkan: Executive Vice President, SME and Agricultural Banking

• Murat Koraş: Executive Vice President, Payment Systems

• Enis Kurtoğlu: Executive Vice President, Retail and Private Banking

• Elsa Pekmez Atan: Executive Vice President, Enpara.com and Customer Experience Office

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for determining operational risk policies, reviewing and discussing operational risk issues of the Bank and ensuring to minimize them by action planning.

Members of the Operational Risk Management Committee are as follows:

• Zeynep Aydın Demirkıran: Head of Risk Management,

• Ahmet Erzengin: Head of Internal Control and Compliance,

• Mehmet Kürşad Demirkol: Executive Vice President, IT, Operations, Channels and Business Development

• Erkin Aydın: Executive Vice President, Retail Banking, Payment Systems and Financial Institutions

• Onur Özkan: Executive Vice President, SME and Agricultural Banking

• Argun Derviş: IBTECH Board Member/CISO

• İsmail Akın: Division Manager, Operational Risk and Business Continuity

Asset and Liability Committee

The primary purpose of Asset and Liability Committee is to monitor and manage the balance sheet structure and structural asset liability mismatch of the Bank, as well as to monitor, control and manage the liquidity risk within the limits set by the Board of Directors. The Committee evaluates biweekly reports submitted by Risk Management and determines critical issues regarding risk.

Members of the Asset and Liability Committee are:

• Dr. Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Temel Güzeloğlu: General Manager and Member of the Board of Directors

• Adnan M. Yayla: Executive Vice President, Financial Control and Planning

• Köksal Çoban: Executive Vice President, Treasury

• Elçin Kitapçı: Manager of Asset Liability Management

Information regarding the Participation of the Members of the Board of Directors and of the Committee in the Meetings

Board of Directors, in line with quorum stated in relevant legislation and QNB Finansbank Articles of Association, held seven meetings, and other than in exceptional circumstances all members were present at all meetings.

Audit Committee held nine meetings and all members were present at these meetings except when their attendance was prevented due to reasonable excuses.

Board Risk Committee held eleven meetings and other than in exceptional circumstances all members were present at all meetings.

Credit Committee held meetings every week and other than in exceptional circumstances all members were present at all meetings.

Corporate Governance Committee held four meetings and other than in exceptional circumstances all members were present at all meetings.

Summary Board Report Submitted to the General Assembly

Dear Shareholders,

Welcome to the 2016 Ordinary General Assembly Meeting.

While presenting for your examination and approval the Board Report, Auditors Report and Profit and Loss Statement for fiscal year 2016, we respectfully welcome our shareholders, their representatives and our guests who have honored this meeting with their presence.

2016 was a difficult year globally as well as for Turkey. In the referendum held in June, Great Britain decide to leave EU. In November Donald Trump was elected the US President. While these developments proved to be turning points in terms of global politics, geopolitical risks increased quite significantly. Meanwhile an unsuccessful coup attempt took place on July 15 in Turkey. Thus, 2016 has been a year of unforeseen developments and unfortunate events.

Taking into account all these circumstances, if we are to take a look at the financial results of Turkish banking sector for 2016, total assets increased 15.8% in 2016 compared to the previous year, and reached TL 2,731 billion. Total loans rose 16.8% and amounted to TL 1,734 billion. As of December 2016, the sector's capital adequacy ratio was 15.6%. Shareholders' equity increased 14.5% and totaled TL 300 billion. Net profit of the sector as of December 2016 amounted to TL 37.5 billion.

In light of all these developments, QNB Finansbank's total loans portfolio increased 9.9% to TL 62.9 billion, total assets rose 18.4% and amounted to TL 101.5 billion. Customer deposits totaled TL

52.0 billion, up 10.5%, and shareholder's equity amounted to TL 10.1 billion, showing an increase of 12.2%. The Bank's capital adequacy ratio stood at 14.5% and net operating income totaled TL 1,203 million in 2016.

As of end of 2016, QNB Finansbank continued to serve its customers with 630 branches and approximately 12.5 thousand employees.

Dear Shareholders,

In our Annual Report showcasing our performance during 2016, we hereby present the Balance Sheet and Profit and Loss Statement for your examination and approval.

We express our gratitude to our customers who have not wavered in their confidence and the authorities of the State for their continuous support. We thank our employees whose superior and selfless contributions we value supremely, and we salute with respect once again our esteemed shareholders and their representatives who have honored our General Assembly.

Finansbank A.Ş. Board Of Directors

Related Party Risks

Regardless of the nature of transactions, relations with companies in the risk group of and controlled by the Bank, are conducted in the scope of a bank-client relationship and in compliance with the Banking Law and prevailing market conditions.

Type, amount and rate of transactions to total transactions as well as the structure, amount and rate of main items, pricing policy and other terms in the transactions with the risk group companies are set on an arms-length basis and based on prevailing market conditions. As of December 31, 2016, cash loans granted to risk group composed 0.5% of the Bank's total loans, deposits obtained from risk group composed 0.7% of the Bank's total deposits and derivatives transactions executed with the risk group composed 0.0% of the Bank's total derivatives transactions volume.

Transactions involving the purchase and sale of real-estate and other assets and services, agency contracts, leasing contracts, transfer of data obtained from research and development activities, license contracts, financing (including loans and cash or in-kind capital contributions), guarantees and collaterals, management contracts, and the like) are underwritten between the Bank and Finans Leasing (Finans Finansal Kiralama A.Ş.). Net leasing payables incurred from these contracts amounted to TL 0.9 million as of December 31, 2016.

The Bank entered into a contract with IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. for research, development, and consultancy services.

The Bank receives cash transfer services from its 33.3% subsidiary Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

The Bank provides agency services to Cigna Finans Pension (Cigna Finans Emeklilik ve Hayat A.Ş.), which is a joint venture of the Bank with a 49% stake.

Information on Outsourced Services and the Institutions Supplying Outsourced Services

Support services procured within the scope of Regulation on Banks' Procurement of Support Services in 2016 are stated below:

Supplier	Outsourced Services
Acerpro Bilişim Teknolojileri A.Ş.	Online Insurance Quote Comparison
Adecco Hizmet ve Danışmanlık A.Ş.	HR outsource staff payroll
Akbasım Matbaacılık ve Tic. Ltd. Şti.	Check printing
Aktif İleti ve Kurye Hiz. A.Ş.	Courier
Asseco See Teknoloji A.Ş.	Virtual POS application, maintenance and technical support
Atos Origin Bilişim Danışmanlık ve Müşteri Hizmetleri San. Tic. A.Ş.	Call center
Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.	Card payment systems software and application services
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş	Transportation and safekeeping of cash and valuable goods
Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. A.Ş.	Operational support for extending consumer loans
C/S Enformasyon Teknolojileri Ltd. Şti.	Finans Yıldızı Software development
Cigna Finans Emeklilik ve Hayat A.Ş.	Marketing of Cigna Finans Insurance and Private Pension Products
CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.	Call center
CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş.	Credit card and consumer loan collection
Collecturk Alacak Yönetimi ve Danışmanlık A.Ş.	Credit card and consumer loan collection
Direktika İnsan Kaynakları Ltd. Şti.	HR outsource staff payroll
eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Operation, maintenance and after sales support services for Finans Yıldızı Software
eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	E-book software
E-Kart Elektronik Kart Sistemleri San. ve T.A.Ş	Plain card procurement and customization
Etcbase Yazılım ve Bil. Teknolojileri Anonim Şirketi	Legal proceeding system software development and maintenance
Fonoklik İletişim Hizmetleri ve Ticaret A.Ş.	Loan/credit card application software, license and maintenance
Fu Gayrimenkul Yatırım Danışmanlık A.Ş.	Operational support for real estate mortgages
Girişim Alacak Yönetim Hizmetleri ve Yazılım Servisleri A.Ş.	Credit card and consumer loan collection
Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.	Credit card and consumer loan collection
Hobim Bilgi İşlem Hizmetleri A.Ş.	Archive services for loans extended via Turkcell

Supplier	Outsourced Services
Ibtech Uluslararası Bilişim ve İletişim Tekn. Ar-Ge Danışmanlık Destek San.ve Tic. A.Ş.	IT
Ingenico Ödeme Sistem Çözümleri A.Ş.	POS application development, update and technical support services
Innovera Bilişim Teknolojileri A.Ş.	IT security testing services
Iron Mountain Arşivleme Hizmetleri A.Ş	Archive services
Kartek Kart ve Bilişim Teknolojileri Ltd. Şti.	Software development, integration and maintenance service for instant card printing
Konut Kredisi Com Tr Danışmanlık A.Ş.	Housing and consumer loans promotion and marketing
Kurye Net Motorlu Kuryecilik ve Dağıtım Hiz. A.Ş	Courier
Mastercard Payment Transaction Services Turkey Bilişim Hizmetleri A.Ş.	Card support services
Matriks Bilgi Dağıtım Hizmetleri A.Ş.	FX Blotter software maintenance and support
Matriks Bilgi Dağıtım Hizmetleri A.Ş.	"Order Management System" (OMS) maintenance and support
Meriç Organik Ürünleri San. ve Tic. A.Ş.	Operational support for Account Collection System
MGS Merkezi Güvenlik Sistemleri San.Tic. A.Ş.	Alarm systems and monitoring services
MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.	Cheque printing and customization
Plastkart Plastik Kart Akıllı Kart İletişim Sistemleri San. ve Tic. A.Ş.	Plain card procurement and customization
RGN İletişim Hizmetleri A.Ş.	Credit card and consumer loan collection
Temp Danışmanlık Kuryecilik Sağ. Hiz. ve En. San. Tic. Ltd. Şti.	HR outsource staff payroll
Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.	Security services
Turkcell İletişim Hizmetleri A.Ş	Operational support for extending consumer loans
Uzman Bilişim Danışmanlık A.Ş.	Oracle e-business applications
Vega Bilgisayar Hizmetleri Ltd.Şti.	Customer loan information, legal reporting software and software maintenance
Verifone Elektronik ve Danışmanlık Ltd. Şti	POS application development, update and technical support services
Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş	Call center
Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş	Follow-up of Bank social networks

Corporate Governance Principles Compliance Report

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) As detailed below, QNB Finansbank has complied with the imperative principles of the Corporate Governance Principles set out in of the Corporate Governance Communiqué no. II - 17.1, published by the Capital Markets Board (CMB), throughout the financial reporting year of 01.01.2016-31.12.2016.

b) QNB Finansbank does not implement principles no. 1.5.2 – 1.7.1 - 2.1.2 – 2.1.3 – 2.2.2 (Most of the information herein is stated in the annual report.) – 3.1 – 3.2 - 4.3.9 – 4.5.5. Instead, the Bank has set up a Corporate Governance Committee responsible for monitoring whether the Corporate Governance Principles are complied with, describing the problems that may arise due to noncompliance and offering corrective actions to the Board of Directors. The Committee consists of Ramzi T. Mari* Sinan Şahinbaş, Ali Teoman Kerman, Osman Reha Yolalan* and Fikret Şehsuvar Aladağ. During meetings held in 2016, work was done for improvement of the corporate governance practices in the Bank. The Corporate Governance Committee shall consider the said principles in its activities in 2017 and work towards the improvement of corporate governance practices. The Committee also coordinates the operations of the Investor Relations Division.

* appointed as Members of the Corporate Governance Committee on 08.07.2016

PART II - SHAREHOLDERS

2.1. Investor Relations Division

QNB Finansbank established an Investor Relations Division, for the purposes of protecting the rights of shareholders and ensuring effective communication between the Board of Directors and shareholders, in line with Article 1.1.2 of Part I of the revised Corporate Governance Principles published by the Capital Markets Board in February 2005. The Investor Relations Division, reporting to the Corporate Governance Committee, is managed by Mr. Fikret Şehsuvar Aladağ. He holds a CMB Advanced Level Certificate and corporate governance rating certificate.

The contact details for the Investor Relations Division are as follows:

investor.relations@qnbfinansbank.com

Telephone: +90 212 318 52 07

A total of 79 inquiries were received by the Investor Relations Division during 2016. In addition, a total of 49 investors, rating agencies and researchers were met at approximately 20 meetings.

2.2. Shareholders' Right to Access Information

Within the scope of the Informational Policy of QNB Finansbank as approved at the General Assembly on March 27, 2014, all information in relation to shareholders' rights, such as capital increases, are sent to Borsa İstanbul (İstanbul Stock Exchange) and published in print and on the Public Disclosure Platform (www.kap.gov.tr) in Material Event Disclosure format. Shareholders are informed through emails, meetings and telephone calls, and through the Bank's website, regarding material financial and/or operational information that may affect the exercise of the rights of shareholders.

Appointment of a special auditor is not regulated by the Articles of Association of the Bank. The Bank is audited both by the auditors appointed by the Bank's General Assembly and by the Banking Regulation and Supervision Agency ("BRSA") in accordance with the Banking Act.

2.3. General Assemblies

The Annual General Assembly was held on March 24, 2016 at the Head Office located at Esentepe Mahallesi, Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli/ İstanbul with a meeting quorum of 99.8%. The Board of Directors invitation for the Assembly was published in the Turkish Trade Registry Gazette and two daily newspapers, namely, Güneş and Hürses. Shareholders were duly provided with the date, agenda and information form regarding the agenda of the Meeting through the website of the Bank, the Public Disclosure Platform as well as the electronic General Assembly System. In the said meeting Mr. Jilber Topuz, one of our shareholders, demanded that the General Assembly be provided with clarification regarding payment of personal bonuses or premiums to Board Members in 2015. Mr. Mehmet Ömer Arif Aras, Chairman of the Board, answered by stating that the said amount had been presented collectively upon negotiation of agenda item 15, and no individual statements had been provided. What's more, within the framework of Agenda item 10, information regarding gratuity payments has been provided to shareholders.

Furthermore, two Extraordinary General Assemblies were held on June 16, 2016 and November 24, 2016, at the Head Office located at Esentepe Mahallesi, Büyükdere Caddesi Kristal Kule Binası No: 215 Şişli/ İstanbul with a meeting quorum of 99.8%. The Board of Directors invitation for the Assembly was published in the Turkish Trade Registry Gazette and two daily newspapers, namely, Güneş and Hürses. Shareholders were duly provided with the date, agenda and information form regarding the agenda of the Meeting through the website of the Bank, the Public Disclosure Platform as well as the electronic General Assembly System.

2.4. Voting Rights and Minority Rights

No voting privilege is granted and no cumulative voting procedure is adopted by the Bank's Articles of Association.

2.5. Dividend Distribution Policy

Dividend distribution policy of the Bank is approved in the General Assembly dated 27.03.2014. The dividend is calculated under the provisions of the applicable regulations and provisions of the Bank's Articles of Association. Accordingly, after deducting the legal and financial liabilities of the Bank, 5% of remaining profit is allocated to the statutory reserve fund and an amount corresponding to 5% of equity is allocated, regardless of the date of equity payment as first dividend to shareholders. After allocation of these amounts, 10% of the remaining profit may be allocated to founding shareholders. After deducting the amounts stated in the provisions above, a maximum of 5% of the remaining amount may be allocated by the General Assembly to the Board Members and Managing Directors, including the ordinary member General Manager, Out of the annual profit remaining after the amounts set aside and allocated as described in the foregoing provisions, an amount designated by the General Assembly, may be set aside for the shareholders as Second Dividend, regardless of the payment dates of the capital. One tenth of the Dividends decided to be distributed as per paragraphs "c", and "d" of this article shall be added to general legal reserve funds pursuant to the Turkish Commercial Code. General Assembly is entitled to transfer to the subsequent year or set aside as extraordinary reserve funds, all or a part of the net profit remaining after setting aside and distributing the reserve funds in paragraph "a" and dividends in paragraph "b" of this article. If it deems necessary, Board of Directors may make suggestions to the General Assembly to such extent. The manner of distributing the dividend allocated to the Board Members and Executive Directors, including the ordinary member General Manager, as per paragraph "c" of this article, to the relevant parties shall be determined by the Board of Directors. Dividends shall only be paid out of annual profit. No dividend can be distributed unless the reserve funds mentioned in paragraph "a" of this article are set aside. Unless and until reserve funds which should be set aside as per law and dividends specified for the shareholders under the Articles of Association are set aside, no resolution in regard to setting aside other reserve funds, transferring profit to the subsequent year and distributing dividends to shareholders, members of Board of Directors and employees of the Bank shall be adopted. Besides, no dividends shall be distributed to such persons unless and until specified amount is set aside. The General Assembly shall determine the payment date of the dividends to be distributed as per the provisions of this article. Provisions of paragraphs "d" and "e" hereof shall also apply to dividends that have been resolved by a General Assembly Resolution to be distributed to the shareholders out of extraordinary reserve funds. The profit distributed in accordance with the provisions of these Articles of Association cannot be taken back. Relevant provisions of the Turkish Commercial Code are without prejudice.

2.6. Transfer of Shares

QNB Finansbank's Articles of Association do not restrict shareholders from transferring their shares. However, share transfer is subject to BRSA approval pursuant to the relevant provisions of the Banking Law.

PART III - DISCLOSURE AND TRANSPARENCY

3.1 Corporate Web Site and Its Content

QNB Finansbank's corporate web page, www.qnbfinansbank.com, contains information, both in Turkish and English, on the Bank's current shareholder and management structure; Articles of Association; annual reports; periodical financial statements and reports; material events regarding the Bank; agendas, minutes and list of attendees of General Assembly Meetings; a sample power of attorney letter; and inquiries and answers provided under the FAQ section.

3.2 Annual Report

The Bank's Annual Report, prepared in accordance with relevant regulations, includes issues on corporate governance principles. The details are given in the "Corporate Governance Principles Compliance Report" section of the Annual Report.

PART IV - STAKEHOLDERS

4.1 Informing Stakeholders

Bank employees are informed about the Bank's operations when deemed necessary via internal communications tools. In addition, managers at the Headquarters and branches are informed about developments via regularly held meetings. The tip-off hotline, set up for informing regarding transactions contrary to the Bank's procedures and instructions, and that are against legislation and improper ethically, is open to access by stakeholders through a number of channels.

4.2 Participation of Stakeholders in Management

The Bank does not have a model to ensure stakeholders' involvement in management.

4.3 Human Resources Policy

QNB Finansbank recognizes that the most valuable capital is human resources. With this in mind, the

Bank's Human Resources Policy, directed towards increasing the Bank's performance, is based on attracting, developing and retaining new talent, and hence realizing sustainable development of the Bank's human resources. The Bank's Human Resources Policy has four components:

• Human Resources Planning and Recruitment: Attracting talented employees to the Bank and placing them in the most suitable positions in line with Bank's staffing requirements.

• Performance Management: Managing staff performance by harmonizing goals of employees with the goals of the Bank.

• Talent and Development Management: Developing the technical and managerial skills of employees, retaining promising employees in the Bank and focusing on their development.

• Loyalty and Rewards: Developing policies for increasing employee loyalty to the Bank and increasing their involvement in Bank's growth.

QNB Finansbank's number of personnel reached 12,451 by the end of 2016. The number of employees including those at subsidiaries and affiliates, is 14,322.

Performance management in QNB Finansbank encourages career development with a continuous feedback culture, and establishes long-term talent strategies in order to support employee potential.

Performance evaluation is made biannually. Through the evaluation,

• Probable potential with a differential performance influencing the performance of the Bank and contributing and/or will contribute to the Bank reaching its targets, is determined;

• Technical performance results for each individual employee come about as a result of targets of the Bank as well as the resultant targets for business lines and departments. Developmental performance results are obtained as a result of evaluations carried out for figuring out developmental requirements of employees.

• Within the personalized performance model designed for all QNB Finansbank employees strong points and areas for development are evaluated individually. Individual developmental needs are thus determined.

• Points of improvement are defined and actions are determined and a road map is defined for monitoring.

Results are shared with the employees transparently. Performance evaluation process aims to foster loyalty through a fair and transparent system which assesses the performance of the personnel on concrete and measurable criteria.

The purpose of remuneration management in QNB Finansbank is to gain new talents and increase employee loyalty, satisfaction, motivation and synergy. Accordingly, a fair and transparent pricing methodology that is in compliance with the bank's ethical values and internal regulations is implemented. Moreover, incentive programs that are focused on individual and institutional targets without taking excessive risk are created and are encouraged. In 2015, The Bank's personnel received a cash bonus of 2 salaries per employee as part of the premium and bonus schemes. Various benefits that improve living standards and increase productivity of the employees, such as health insurance, annual leave, transportation, food, telecommunication aid and other employee support services are provided with consideration of market conditions.

Remuneration Management has continued to function within the scope of the Remuneration Committee, established in 2013, in compliance with the regulation of the Banking Regulation and Supervision Agency on Corporate Management Principles of Banks.

Ombudsman's office has been established in order to increase the quality of business and lift obstacles in the way of productivity by swift, effective and fair resolution of possible disputes between the corporation and employees, or between employees and managers.

All employees contact the Ombudsman regarding in-office discrimination, mobbing, harassment, practices contrary to corporate policies and unresolved disputes via e-mail or phone.

The primary target of the Ombudsman is for the sides to reach a mutual agreement. In cases where parties fail to reach an amicable solution or an agreement the Ombudsman assesses the current situation and notifies relevant Vice Presidents. One copy of the assessment report is presented to the Office of Vice President responsible for HR and another to the General Manager. Requests need to be processed and the relevant parties notified in one week.

Any illegal transactions, matters of abuse and others falling within the coverage of a Disciplinary Board ruling or that need to be examined by the Board of Inspection, shall be forwarded to the Board of Inspection by the Ombudsman for assessment of information received.

No discrimination complaints from the Bank's employees were received.

4.4 Social Responsibility and Code of Ethics

QNB Finansbank believes in the importance of securing the future of a healthy and sound environment. The concept of sustainable banking is applied in every environmental, economic and social policy/process of the Bank. The Bank's business strategy and decision-making mechanism supports its goal to leave a livable world for future generations. With every transaction and funding decision, the Bank strives to promote a sustainable development mindset.

To this end, the Bank has set up a Social Responsibility Committee. In parallel with the research and studies of this Committee, the Internal Audit and Compliance Department carries out activities in terms of compliance with national and international legislation. The Bank has also established a Social and Environmental Management System (SEMS) policy.

"Minik Eller Büyük Hayaller" developmental platform, which underlines our diligence and our focus on children, was created by joining small hands with big dreams that will be the starting point of their creative powers that will shape the future.

The child-focused developmental platform was designed as a result of the invaluable contributions by more than 13 thousand employees throughout the country. Consequently, they, their families and their children have become social stakeholders, project partners and goodwill ambassadors in the "Minik Eller Büyük Hayaller" platform.

Within the "Minik Eller Büyük Hayaller" social responsibility platform established in 2015,

We have reached out to more than 250 thousand children in 25 cities via more than one thousand voluntary QNB Finansbank employees in 6 different projects, with the aim of helping bring up innovative leaders of tomorrow.

QNB Finansbank has adopted a code of ethics as specified under the Banking Law. QNB Finansbank Employee Code of Conduct and QNB Finansbank Code of Ethics for Financial Professionals have been approved by Board of Directors and communicated to Bank personnel as a booklet and online.

PART V- BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

As of 31.12.2016 the structure of QNB Finansbank's Board of Directors is as follows:

Dr. Ömer A. Aras, Chairman
Sinan Şahinbaş, Vice Chairman

Abdulla Mubarak Al-Khalifa,
Board Member

Ali Rashid Al-Mohannadi,
Board Member

Ali Teoman Kerman,
Board Member and Chairman of Audit Committee,

Durmuş Ali Kuzu,
Board Member

Fatma A. Al-Suwaidi,
Board Member

Grant Eric Lowen,
Board Member

Osman Reha Yolalan,
Board Member

Ramzi Talat A. Mari,
Board Member

Temel Güzeloğlu,
Board Member and General Manager

In the General Assembly Meeting on 16.06.2016, it was decided that Osman Reha Yolalan shall be appointed as the independent member of the Board, and the members of the Audit Committee shall also be designated as the independent Board Members in compliance with the relevant provisions of Corporate Governance Communiqué (II – 17.1) published by the Capital Markets Board. The present Board members are still incumbent; therefore, no members were elected at the 2015 General Assembly.

Resumes of the Members of the Board are presented in the annual report.

It is acknowledged that, within the restrictions stated in the Banking Law, members of the Board may also hold professional positions outside the Bank provided that no such position prevents them from fulfilling their respective responsibilities in the Bank and does not cause any conflict of interest.

5.2 Principles Related to the Activities of the Board of Directors

QNB Finansbank Board of Directors held 7 meetings in 2016, in compliance with relevant laws and the Bank's Articles of Association, with the attendance of all members except when prevented due to reasonable excuses. Moreover, apart from these meetings, the Board has negotiated and decided on various matters.

Board Members are provided with documents that include the agenda for each meeting, prior to the meeting. No dissenting opinion was voiced during the Board meetings.

The agenda of each Board meeting is determined on the basis of proposals by Board Members and the General Directorate. Discussions on risk and monthly reports, assessment and approval/rejection of applications for loans, and loan amounts that exceed the authority limits of the Credit Committee and therefore require the approval of the Board, are included in the agendas of all Board meetings. In addition, bodies such as the Internal Control Directorate, the Audit Committee and the Corporate Governance Committee present periodical reports to the Board of Directors. The Board of Directors has a secretariat in charge of informing and communicating with Board members and ensuring compliance of meetings and resolutions with applicable laws and regulations.

No Board member has preferential voting rights.

5.3 Number, Structure and Independence of Committees under the Board of Directors

Five committees serve under the authority of the Board of Directors, which are Corporate Governance Committee, Audit Committee, Risk Management Committee, Credit Committee and Remuneration Committee.

As of 31.12.2016, the members of the Audit Committee are A. Teoman Kerman (Chairman), Durmuş Ali Kuzu, Ramzi Talat A. Mari and Fatma A. Al- Suwaidi.

The members of the Risk Management Committee are Dr. Ömer A. Aras, Sinan Şahinbaş, Grant Eric Lowen, Ali Rashid Al- Mohannadi and A. Teoman Kerman.

The members of the Credit Committee are Dr. Ömer A. Aras, Sinan Şahinbaş, Fatma A. Al-Suwaidi, Abdulla Mubarak N. Alkhalifa and Temel Güzeloğlu.

The members of the Corporate Governance Committee are Sinan Şahinbaş, A. Teoman Kerman, Ramzi Talat A. Mari, Osman Reha Yolalan ve Fikret Şehsuvar Aladağ.

The members of the Remuneration Committee are Sinan Şahinbaş and Ali Rashid Al- Mohannadi.

The Credit Committee meets weekly, the Risk Management Committee meets monthly, the Audit Committee meets on a three-month basis, the Corporate Governance Committee meets at least four times a year, and the Remuneration Committee meets at least three times a year.

5.4 Risk Management and Internal Control

In accordance with Banking Law no. 5411 and the Regulation on Internal Control Systems in Banks, the Bank's Board of Directors set up an Audit Committee, the current members of which are member of the Board, and Chairman Teoman Kerman, member of the Board Durmuş Ali Kuzu, member of the Board Ramzi Talat A. Mari, and member of the Board Fatma A. Al- Suwaidi.

Internal Audit and Compliance Department and the Internal Control Directorate and Risk Management Department report to the Audit Committee.

Risk Management Department was set up at the end of 2001 as an entity independent from all other executive departments. The Risk Management Department is responsible for measuring possible banking risks, formulating risk management policies, and ensuring that the Bank is run in a manner so that the risks taken remain within the limits of the risks the Bank may wish to take in line with its strategic goals. The Bank aims to conform its Risk Management operations to Basel III standards and applicable legal requirements in force in Turkey. In addition to reporting to the Board of Directors through the Internal Systems director and the Audit Committee, the Risk Management Department also reports to the Risk Management Committee. Dr. Ömer A. Aras, Sinan Şahinbaş, A. Teoman Kerman, Grant Eric Lowen and Ali Rashid Al-Mohannadi are members of the Committee.

5.5 Strategic Goals

Vision

To help build individual and commercial financial plans that will catalyze Turkey's success.

Mission

To forge a lifelong partnership with all our stakeholders, by understanding their needs, finding the right solutions and aiming for maximum customer satisfaction

QNB Finansbank's vision and mission are declared publicly on the Bank's corporate website.

The Bank prepares five-year business plans discussed annually by the Board of Directors. In addition to the business plans, the Bank's detailed annual budget is decided in consort with the Board of Directors. After the approval of the business plan and the budget, the Board of Directors monitors and discusses the Bank's rate of attainment of the objectives, activities and performance at its monthly meetings.

Upper management approves the strategic goals set by management and monitors the Bank's progress, operations and performance toward these goals.

5.6 Remuneration

The honorariums to be paid to the Members of the Board of Directors are determined by the General Assembly. As per note VI.1.4 of Part Five of the Financial Statements, as of December 31, 2016, the gross total including honorariums of Board members, provided to upper management is TL 63,247 thousand.

Loans extended to Board members and managers are limited in Article 50 of the Banking Law. No loans are granted to Board members and managers above these limits.

Distribution of Profit

It has been resolved by the Board of Directors, that the following shall be presented to the General Assembly Meeting of Shareholders to be held on March 30, 2017:

the net profit of TL 1,203,410,325.- calculated on the basis of our Bank's 2016 balance sheet by deducting the taxes payable, be distributed as follows in accordance with Article 26 of our Bank's Articles of Association:

TL	60,170,516 as ordinary statutory reserve,
TL	157,500,000 as first dividend to shareholders,
TL	79,365,725 as reserves from return on sales of participations, subsidiaries, stock shares and real estate (KVK 5-1/e)
TL	906,374,084 as extraordinary statutory reserve,
TL	**1,203,410,325 Total**

that the amount of TL 157,500,000.-, set aside as first dividend be distributed to shareholders in the form of no-par shares of 5% for each share with a value of 10.- Kurus until 30 June 2017 and no-par shares to be issued be distributed to shareholders in accordance with the Capital Market Law on the registry system.

Amendments to the Articles of Association

FORMER VERSION	NEW VERSION
ARTICLE 3 **COMMERCIAL TITLE AND TRADE NAME** The Bank's commercial title is "Finans Bank Anonim Şirketi". The Bank's trade name is shortly "Finansbank".	**ARTICLE 3** **COMMERCIAL TITLE AND TRADE NAME** The Bank's commercial title is "Finans Bank Anonim Şirketi". The Bank's trade name is shortly "QNB Finansbank".

FORMER VERSION	NEW VERSION
FİNANS BANK A.Ş. **ARTICLES OF ASSOCIATION** **ARTICLE 7** **SHARE CAPITAL** a. The Bank has adopted the registered capital system as per the provisions of the Capital Markets Law numbered 2499 and this matter has been approved by the permission dated October 14, 1993 and numbered 743 of the Capital Markets Board. b. The Bank's registered share capital is TL 12,000,000,000.- (Twelve Billion Turkish Lira), represented by 120,000,000,000 (One Hundred and Twenty Billion) registered shares each with a nominal value of 10 Kuruş. When it deems necessary, Board of Directors is entitled to increase the Bank's issued capital by issuing new shares up to the said limit, in accordance with the provisions of the relevant legislations. c. Board of Directors is entitled to directly offer to public, all of the shares representing the increased capital, by limiting the preemption rights upon satisfying the conditions set out in the relevant legislations.	**FİNANS BANK A.Ş.** **ARTICLES OF ASSOCIATION** **ARTICLE 7** **SHARE CAPITAL** a. The Bank has adopted the registered capital system as per the provisions of the Capital Markets Law numbered 2499 and this matter has been approved by the permission dated October 14, 1993 and numbered 743 of the Capital Markets Board. b. The Bank's registered share capital is TL 12,000,000,000.- (Twelve Billion Turkish Lira), represented by 120,000,000,000 (One Hundred and Twenty Billion) registered shares each with a nominal value of 10 Kuruş. When it deems necessary, Board of Directors is entitled to increase the Bank's issued capital by issuing new shares up to the said limit, in accordance with the provisions of the relevant legislations. c. Board of Directors is entitled to directly offer to public, all of the shares representing the increased capital, by limiting the preemption rights upon satisfying the conditions set out in the relevant legislations.

d. The Bank's issued capital is divided into 30,000,000,000.- (Thirty Billion) registered shares with a totally paid-in nominal value of TL 3,000,000,000- (Three Billion Turkish Lira). Nominal value of the share certificates have been changed from TL 100,00.- to Kr 10.-within the scope of the law no. 5274 concerning the amendment of the TCC. As a result of such change, the total number of shares has remained unchanged and in consideration of 9,500,000,000 shares each with a nominal value of TL 100,000.-, 9,500,000,000 shares with a value of Kr 10.- will be given. Rights of the shareholders relating to such change are preserved. e. Registered capital permission granted by the Capital Markets Board is valid between 2014 - 2018 (for 5 years). Even if the permitted registered capital ceiling is not reached by the end of 2018, in order for the Board of Directors to resolve to increase the capital after 2018; it must be authorized by the general assembly upon obtaining the permission of the Capital Markets Board, for the previously permitted ceiling or a new ceiling amount. When it deems necessary, between 2014-2018, the Board of Directors is authorized to increase the issued capital by issuing shares up to the registered capital ceiling and also resolve on issues such as restricting the rights of privileged shareholders, restriction of rights of shareholders to purchase the newly issued shares (other than Founders' Jouissance shares) and issuing shares above the nominal value or without voting rights in compliance with the provisions of the Capital Markets Law. The authority to restrict the preemptive rights shall not be exercised in a manner leading to in equality among shareholders. Shares representing the share capital shall be monitored in accordance with principles of dematerialization.	d. The Bank's issued capital is divided into 31,500,000,000.- (Thirty One Billion Five Hundred Million) registered shares with a totally paid-in nominal value of TL 3,150,000,000- (Three Billion One Hundred and Fifty Million Turkish Lira). Nominal value of the share certificates have been changed from TL 100,00.- to Kr 10.-within the scope of the law no. 5274 concerning the amendment of the TCC. As a result of such change, the total number of shares has remained unchanged and in consideration of 9,500,000,000 shares each with a nominal value of TL 100,000.-, 9,500,000,000 shares with a value of Kr 10.- will be given. Rights of the shareholders relating to such change are preserved. e. Registered capital permission granted by the Capital Markets Board is valid between 2014 - 2018 (for 5 years). Even if the permitted registered capital ceiling is not reached by the end of 2018, in order for the Board of Directors to resolve to increase the capital after 2018; it must be authorized by the general assembly upon obtaining the permission of the Capital Markets Board, for the previously permitted ceiling or a new ceiling amount. When it deems necessary, between 2014-2018, the Board of Directors is authorized to increase the issued capital by issuing shares up to the registered capital ceiling and also resolve on issues such as restricting the rights of privileged shareholders, restriction of rights of shareholders to purchase the newly issued shares (other than Founders' Jouissance shares) and issuing shares above the nominal value or without voting rights in compliance with the provisions of the Capital Markets Law. The authority to restrict the preemptive rights shall not be exercised in a manner leading to in equality among shareholders. Shares representing the share capital shall be monitored in accordance with principles of dematerialization.

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit And Risk Management Systems, and Information about Their Activities in the Accounting Period

The Audit Committee is established pursuant to the provisions of Banking Law No. 5411 and Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process. Internal Audit, Risk Management and Internal Control and Compliance Departments of the internal functions report to the Audit Committee. The Audit Committee Office is established to assist the Committee with its duties and responsibilities.

On behalf of the Board of Directors, the Audit Committee has the authority and responsible for:

- supervising the effectiveness, efficiency and adequacy of the Bank's internal systems and their compliance to the Law, applicable Regulation and the Bank's internal policies,
- determining if the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risks of the Bank are adequate and operative,
- supervising the operation of accounting and reporting systems and the integrity of the information generated by these systems,
- carrying out the necessary preliminary assessment for the selection of independent audit institutions and rating, valuation and support service institutions by the Board of Directors,
- monitoring regularly the activities of the institutions selected and contracted,
- ensuring that the internal audit activities of subsidiaries subject to consolidation in accordance with regulations introduced under the Law are carried out on a consolidated basis, and in coordination with the internal audit activities of the Bank.

The Audit Committee convened nine times in 2016. Based on its observations and evaluations, the Audit Committee concluded that the internal systems of the Bank were efficient and functioning as planned and the internal controls systems were effective.

Moreover, the Audit Committee reviewed all support services procured by the Bank, ensured that necessary actions were taken to effectively manage the risks exposed by these services, and the Bank complied with the Regulation on Banks' Procurement of Support Services.

A summary of the activities performed by departments reporting to the Audit Committee is stated below.

Internal Audit Department

The Internal Audit Department conducts its activities objectively and independently and reports its engagements through Head of Internal Systems and Audit Committee to the Board of Directors. The Department has 101 personnel at the end of 2016, and strongly encourages its auditors to acquire professional certifications available in their field, which is a prerequisite for promotion.

The Department conducts its activities in compliance with International Internal Audit Standard of the Institute of Internal Auditors (IIA), and compliance was certified by the independent auditor. The assurance provided by this certificate is continuously monitored.

The internal audit reports prepared as a result of the audit engagements carried out by the Department are submitted to the Senior Management and the Board through the Audit Committee. The actions taken to remediate the identified findings are followed up and regularly reported by the Department throughout the year.

QNB Finansbank Board of Directors are periodically informed about the activities of the Department on a continuous basis over the quarterly activity reports submitted through the Audit Committee. In the engagements carried out by the department in 2016, internal control system of the audited areas are assessed considering the Bank's all risk exposures. In addition to the planned and unplanned audit engagements regarding Head Office units, branches, subsidiaries and information technologies processes, 2016 activities also covered incident-based investigations and inspections as well as participation in various projects and consultancy services.

The Department uses scenario-based examinations and data mining methods in order to prevent cases of fraud, and utilizes analytical queries and advanced audit technologies for audit engagements.

In the Information Technologies area, threats, risks and the control environment over criteria such as confidentiality, integrity and accessibility of information are examined and evaluated and assurance has been given regarding adequacy of the control environment. In addition to the information technologies audit engagements at QNB Finansbank group affiliates and subsidiaries, the Department also monitors closely the effectiveness, adequacy and independence of the internal audit-control activities regarding information technologies and if required, provides necessary support to the units. The outsource companies which provide services to information technologies are also audited.

The Internal Audit Department also regularly audits the activities of group affiliates and subsidiaries. Audit areas are determined according to risk assessment studies performed in coordination with the internal audit units of related companies. A reporting line has been set between QNB Finansbank Internal Audit Department and Internal Audit Units of the group affiliates and subsidiaries and Internal Audit.

The department performs continuous monitoring through quarterly activity reports and monthly monitoring forms reported by the internal audit and control units of group affiliates and subsidiaries. The audit methodology of these units is in line with the audit methodology of the QNB Finansbank internal audit methodology.

Following the activities completed in 2016, the Internal Audit Department accomplished its goals by providing independent and objective assurance and consultancy services as in the previous years and contributed to the regular, systematic and disciplined evaluation and improvement of the effectiveness of corporate governance, risk management and internal control environment in order to improve and add value to the Bank's activities.

Internal Control and Compliance Department

Reporting to the Head of Internal Systems and the Audit Committee, the Internal Control and

Compliance Department performed control activities for minimizing the Bank's exposure to operational, regulatory and financial risks. The total number of personnel is ninety.

Internal Control Division

The internal control system of the bank is designed and constructed in a way that assets of the bank are safeguarded, daily transactions are handled in compliance with the rules, laws and regulations, and the financial reporting systems are reliable, accurate and timely achievable.

As an important part of the internal control system, Internal Control Division is responsible for undertaking control activities among the branches, subsidiaries and head-office units of the bank. Remote and on-site control methods are used while undertaking the second level controls. As of yearend 2016, the total number of Internal Control Division personnel is sixty six. The division is made up of two sub-divisions which are explained in detail:

Branch & Subsidiary Controls Sub-Division:

All branches are visited at least once a year and controls are made by reviewing control points listed in a pre-defined checklist. The most recent samples are drawn to see and evaluate the latest reflections of the changes and the operating scheme of the branch. Findings are communicated to relevant units for follow-up purposes. Moreover, monthly and quarterly consolidated reports are prepared and shared with the top-level management.

The branches having relatively higher finding rates among others are visited for a second control in the last quarter of the year.

Similarly, all subsidiaries are visited, and the checklist prepared in collaboration with subsidiary management is followed during the audits.

Moreover, every quarter, the action plans listed in the "periodic evaluation reports" of the outsource companies are followed-up.

Head Office, Information Technologies and Management Statement Controls Sub-Division:

Teams of controllers who are specialized in different areas of banking undertake the head Office control points prepared with Business units bearing in mind the compliance, operational and financial risks. Within this context, functions like accounting, financial control, loans and deposits, banking operations, treasury, cash management and credit card businesses are heavily controlled as a second level defense mechanism.

Besides, within the context of remote controls, some specific cases are being monitored daily, weekly or monthly via data derived from the system.

In addition, in order to achieve full compliance to the changing rules and regulations, the announcements made by the Compliance Division are followed-up through Business units to identify whether necessary actions are taken or not.

With respect to Information Technologies (IT) general controls, specific attention is paid to physical and logical access rights, effectiveness of software development process is reviewed, and controls on data and system security are tested. Moreover, many periodic reviews are made related to IT controls.

Apart from these, the division prepares the Management Statement report pursuant to the relevant regulations. The methodology of this work is similar with the external auditors' methodology and the scope includes both Business and IT processes. The results are submitted to External Auditor after the report is approved and signed by the Board of Directors.

Compliance Division

Compliance Division determines and manages the risks related to financial losses as a result of the Bank's loss of reputation caused by non-compliance with the laws, regulations, Bank's processes and instructions. As of year end 2016, twenty three personnel are employed at Compliance.

Compliance Division closely follows regulatory changes and ensures that the Bank's practices are updated accordingly. Compliance responds to the questions posed by the branches and Head Office units related to regulatory issues, and plays an active role by providing opinions and recommendations in the process of developing banking products to be offered to the customers.

Compliance also coordinates the regulatory compliance engagements of the financial subsidiaries of the Bank. Additionally, it monitors and notifies the Financial Crimes Investigation Board on suspicious transactions by establishing necessary systems pursuant to regulations related to anti-money laundering and counter-terrorism financing. Furthermore, Compliance consults with regulatory and supervisory bodies, and works to establish social and environmental standards in the loan granting processes. Within the resolution process of the Board of Directors to launch new products/services, the opinions and evaluations of Compliance are required in terms of compliance with applicable regulations. The activities of Compliance in 2016 were performed within this broad area of responsibility.

The three units stated below perform compliance activities.

Banking Regulations Unit: The Unit issues circulars and announcements on regulations and laws concerning the banking sector. The Unit approves non-standard text of letter of guarantees, counter-guarantees, standby letters of commitment and reference letters. It gives written and verbal consultancies to branches and head office departments. The Manager of the Unit represents the bank as a member in the Foreign Exchange Regulations Working Group, established by the Banks Association of Turkey in order to analyze and provide solutions to any kind of sectorial problems related to foreign trade regulations. In addition; the Manager of the Unit is a member to ICC Guarantees Task Force which works on international guarantees.

Regulatory Compliance Unit: New products and campaigns, adverts and advertising materials launched by Marketing Departments are reviewed and approved by the Regulatory Compliance Unit in accordance with legal regulations. Customer complaints received through regulatory authorities are reviewed and letters of reply are approved, and if necessary related departments are advised to take necessary actions. This Unit also makes announcements to bank's relevant units about legislation of capital markets as well as to financial subsidiaries.

Anti-Money Laundering (AML) Unit: AML Unit is responsible for taking necessary actions, making assessments and implementing the systems in order to prevent money laundering as required by the local and international regulations. The Unit also follows up the developments in the regulatory framework and informs employees regarding the developments on the AML issues. In addition, AML Unit takes necessary measures to implement new regulations, develops new systems to comply with local and international regulations on AML issues, performs monitoring activities, conducts face-to-face trainings and e-learning activities, and reports suspicious transactions to Financial Crimes Investigation Board (MASAK).

Risk Management

Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide business lines appropriate capital allocation (economic capital) for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital.

Organizational Structure

Risk management governance at the Bank starts with the Board of Directors. The Board's Risk Committee, Asset/Liability Committee (ALCO), Corporate and Retail Credit Policy Committees (CPC), Operational Risk Management Committee (ORMC) and the Risk Management Department are important bodies of the risk management structure at QNB Finansbank.

The Board of Directors is responsible for determining the general risk policy and the risk appetite of the Bank. The Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its monthly meetings, monitors the implementation of risk management strategies, and brings important risk issues to the attention of the Board. The ALCO, meeting monthly, monitors and manages the structural asset liability mismatch of the Bank. It also monitors and controls liquidity risk and foreign currency exchange risk. The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies related to credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The ORMC, also meeting quarterly, reviews the operational risk issues of the Bank and defines the necessary actions to be taken to minimize these risks.

QNB Finansbank Risk Management Department works independently from executive management and reports to the Board of Directors through Head of Internal Systems and Audit Committee. Market Risk, Credit Risk and Capital Management, and Operational Risk Management Units are responsible for identification, monitoring and managing of all related risks. Additionally, Model Validation Unit is responsible for validation of risk measurement and credit rating/scoring models as well as assessment of performances.

Market Risk Management

Market Risk arises due to the positions in the trading book, including trading securities, open currency position, and all derivatives excluding transactions done for hedging purposes, taken by the Bank with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or interest rate variations.

Market risk stems from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates), and their levels of volatility. QNB Finansbank seeks to identify, estimate, monitor and manage these risks effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of QNB Finansbank's transactions.

A set of market risk limits are defined, based on Value at Risk (VaR), nominal position, present value basis point and option greeks, in order to manage market risk efficiently and to keep market risk within desired limits. In addition to these limits, the Bank defines warning levels for certain limit types, to allow a process of review, analysis, and consultation in order to take preventive actions, prevent limit breaches, and limit possible losses. The limits are monitored on a daily basis by Risk Management Department. VaR results are supported by regular stress testing and scenario analyses.

QNB Finansbank calculates the regulatory capital requirement for market risk using the standardized method within the framework of BRSA guidelines on a monthly basis. The methodology used for the calculation of capital requirements for general market risk and specific risk is determined by the BRSA. In addition, parallel to best global practices, VaR is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation method with a 99%-confidence level and one-day holding period.

While the VaR approach provides a forecast for possible losses under "normal" market conditions, it cannot predict contingent losses under extreme conditions. Hence, the VaR approach is complemented by stress testing in order to incorporate possible extreme market movements. Stress tests simulate the impacts of crises, extreme market conditions and major changes in correlations and volatilities.

The Bank uses back testing to verify the predictive power of the value-at-risk calculations. In back testing, theoretical gains/losses calculated by VAR on positions at the close of each business day is compared with the actual gains/losses arising on these positions on the next business day. The assumption of the VaR model is reviewed and revised if such a need occurs as a result of the back testing procedure.

Interest Rate Risk

The Bank is exposed to structural interest rate risk resulting from differences in the timing of rate changes and the timing of cash flows that occur in the pricing and maturity of a bank's assets and liabilities. Bank defines Policy for the Management of Interest Rate Risk of Banking Book (IRRBB). According to the policy, interest rate risk is calculated for the banking book, which includes all portfolios excluding trading book.

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the policy ensures that all position is monitored effectively and the risk stays within the pre-defined limits.

The Asset Liability Committee (ALCO) aims to protect the economic value of equity while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk. Moreover, the Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, to calculate their impact on net economic value.

The Bank utilized scenario analysis in order to evaluate the impact of interest rate change on net economic value. In addition to the Basel standard interest rate shock scenario, the 2001 crisis, May 2004 and June 2006, 2008 scenarios and June-December 2013 volatility are also simulated.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the Bank's inability to meet its liabilities -because of its balance sheet structure or market movements- when they are due. QNB Finansbank aims to control its 'cash and available funding sources/deposits' ratio within limits. In addition to early warning indicators, survival horizon under different stress levels and actions planned under liquidity crises are defined in the Bank's "Liquidity Contingency Plan".

Within the scope of the Basel III accord, the "short-term liquidity coverage ratio" and the "net stable funding ratio," to measure long-term liquidity, are calculated. Liquidity coverage ratio and net stable funding ratio are monitored on a daily and monthly basis, respectively.

Credit Risk Analytics, Strategy and Capital Management

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed. The aim of credit risk management is to maximize the Bank's risk-adjusted rate of return by maintaining the credit risk exposure within acceptable limits defined by the risk strategy document.

Credit Risk Management is embedded into the end-to-end credit processes of the Bank. While the underwriting units are responsible for day-to-day management of the credit risk, The Board of Directors controls the complete lending process by approving the lending criteria, credit risk policies and delegating authorities depending on the type of the product through Credit Policy Committees. The responsibility of the Credit Risk Analytics, Strategy and Capital Management Unit is the establishment of effective and efficient internal policy, procedure and methodologies for definition, quantification, measurement, control, and reporting of the credit risks.

The Credit Risk Analytics, Strategy and Capital Management Unit performs the internal and external reporting of credit risk in an appropriate way for different audiences. The Bank's Board Risk Committee monitors a comprehensive list of credit risk metrics and the risk-based performance measures of the credit portfolios on a monthly basis. In case of any mismatch between the risk profile and the risk appetite of the Bank, the necessary measures are taken immediately to make sure that the portfolio credit quality of the Bank complies with the defined risk appetite.

Credit Risk Analytics, Strategy and Capital Management Unit is also responsible for the capital management process, which includes compliance with the regulatory capital requirements and the establishment of the Bank's policies, processes, methods and systems relating to the Internal Capital Adequacy Assessment Process (ICAAP). This process involves calculation, projection and analysis of legal and economic capital requirements necessitated by yearly and long-term business plans of the Bank.

The Bank has traditionally put great emphasis on the strength of its capital base to maintain investor, creditor and market confidence and to sustain future business development. In line with this point of view, ICAAP framework is designed to ensure that the Bank has sufficient capital resources to meet the regulatory capital requirements, and that it has available capital in line with its own risk appetite and internal guidelines.

Operational Risk and Business Continuity Management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Operational Risk and Business Continuity Management Unit is responsible for identifying, measuring, monitoring and managing all risks under the scope of operational risk as well as Business Continuity Management.

Activity-process based operational risks are identified through Risk Control Self-Assessment and classified by cause, event and effect categories as proposed by Basel II, and actions are taken for severe risks. Operational loss data collection process, which began in January 2005, continues. While loss data is accumulated to provide meaningful statistical data, business processes, where improvements are required, are defined based on the results, and all necessary actions for improvement are taken. Structured scenario analyses are conducted every year for all business activities. Key Risk Indicators are defined and monitored regularly for severe risks. A robust operational risk management process and methodology is implemented.

The Bank has also prepared and implemented a Business Continuity Management Plan, in order to minimize losses due to business disruption. In addition, the Bank performs the comprehensive annual test of the Disaster Recovery Center with the participation of business units and the IT Department.

Model Development and Monitoring

Model Development and Monitoring Unit is responsible for developing the application and behavioral scorecards with the purpose of ensuring that the portfolio and processes of loans are managed properly and effectively and the conduct of complementary/ regulatory studies on models as well as monitoring performance and modeling/ implementation consistency of scorecards.

Model Validation

QNB Finansbank's Model Validation Group is responsible for assessing and ensuring the validity of measurement and valuation models regarding credit, market, liquidity, assets and liabilities risks and ICAAP in terms of their data quality, methodology, use test, and their compatibility with legal as well as Basel II requirements and best practices, before they are implemented on the Bank's scale.

Once the above-mentioned models are being implemented, their performances under changing macroeconomic conditions, Bank's portfolio and risk appetite are monitored and reported on an ongoing basis via performance and stability tests.

Besides, the Unit keeps and updates model inventories and manages the database infrastructure allowing such practices.

Audit Committee Office

Established in 2011, the Audit Committee Office is comprised of five employees as of 31.12.2016 and provides the services required for the effective working of the Committee. The Office is responsible for reviewing and presenting to the Committee members reports concerning the Committee, monitoring Committee meetings, archiving all documents regarding work carried out, coordination and follow-up of the support service activities, obtaining resource adequacy and independence statements from Independent Audit and Valuation companies and independence statements from the Bank senior management regarding these companies, following up the implementation of the Committee decisions, reporting the Committee activities to the Board of Directors, and performing other duties assigned by the Committee.

Assessment of the Bank's Financial Position, Profitability and Solvency

QNB Finansbank's strong growth in recent years continued to accelerate in 2016.

In line with the Bank's plans regarding increasing the client base by focusing on banking activities, the total credit portfolio increased to TL 62.9 billion. The total number of branches was 630 by December 31, 2016, with 640 domestic, one off-shore (one on December 31, 2015) and one airport branch (one on December 31, 2015) located at the Atatürk Airport Free Zone.

Assets

With the help of its customer-oriented approach, QNB Finansbank maintained its growth in 2016, particularly in SME and commercial loans. Total loans amounted to TL 62,923 million, indicating a 10% increase while total assets reached TL 101,503 million, up 18% from the previous year. In 2016, the Bank's business loans to the strategically prioritized market segments (corporate, commercial, SMEs, and businesses) maintained its growth, increasing 16% in comparison to the previous year.

Liabilities

In parallel with the growth in assets, QNB Finansbank's total deposits continued to increase in a balanced manner. Customer deposits reached TL 51,966 million, marking an 11% rise, while shareholders' equity increased 12% to TL 10,126 million. In 2016 the Bank issued local and foreign currency bonds in Turkey and abroad, thus increasing its diversification of funding.

Profitability

The Bank's net interest income was recorded at TL 4,504 million in 2016, while net fee and commission income totaled TL 1,363 million. The net profit in 2016 was TL 1,203 million.

The Bank's bank-only capital adequacy ratio at the end of 2016 was 14.53%.

Solvency

QNB Finansbank has a solid financial structure backed by a strong capital structure and a high return on equity.

QNB Finansbank uses its equity capital in banking activities effectively while sustaining profitability. QNB Finansbank funds its loans with long-term borrowings in addition to its robust funding structure and wide deposit base. Through the use of a variety of funding sources, the Bank decreases the cost of funding, and also minimizes risks that arise due to differences in maturity.

With a solid position in Turkey's financial markets, QNB Finansbank's strong financial structure has also been recognized by independent rating agencies.

Additional Information on the Activities of the Bank

The Bank does not have any treasury shares bought from the market.

The Bank receives a partial audit quarterly and a full audit at year's end from an independent audit firm. In addition, the Bank is subject to constant surveillance under the scope of banking regulation and is subject to supervision of the Banking Regulation and Supervision Agency.

As per all transactions with the Qatar National Bank S.A.Q. ("QNB"), the major controlling shareholder of the Bank, and with its affiliated companies, there is no precaution taken in favor of the Bank or in avoidance of favor of the Bank. In all legal transactions, agreements are subject to the same principles, procedures and conditions as if with a person/organization outside of the Group companies. No measure was taken to the detriment of the Bank for the interest of or as a favor to the controlling company or its subsidiaries.

On December 21, 2015 a deal was signed between National Bank of Greece S.A. ("NBG"), the former main shareholder of the Bank, and Qatar National Bank S.A.Q. ("QNB"), regarding the purchase by QNB directly of 99.81% shares in the Bank and directly or otherwise of its shares in the subsidiaries and current associations of the Bank, for the amount of EUR 2 billion AND 750 million. On April 7, 2016 The Banking Regulation And Supervision Agency ("BDDK") gave permission for the transfer to QNB of 82.23% shares belonging to National Bank of Greece S.A., 7.90%shares belonging to NBGI Holdings B.V., and 9.68% shares belonging to NBG Finance (Dollar) PLC, pursuant to Art.18/1 of the Banking Law, and consequently to decreasing of the direct share of National Bank of Greece S.A. to 0%. Official permissions were completed on May 4, 2016 in the Competition Board and on May 12, 2016 before relevant bodies regarding direct/indirect share ownership in relevant subsidiaries 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.). Share transfer took place on June 15, 2016.

Pursuant to the Board resolution on February 3, 2016, 3,434,632 shares of the subsidiary Finans Finansal Kiralama A.Ş, equal to 29.87% of the paid-up capital by NBG, in the amount of TL 34,346 as a nominal price, was to be purchased from NBG for the amount of TL 128,112. Such transfer of shares took place on February 8, 2016. As a result of the said transfer the share of the Bank in Finans Finansal Kiralama A.Ş. has increased to 80.92%. In addition, Pursuant to the Board resolution on November 29, 2016, listed shares of Finans Finansal Kiralama A.Ş in the amount of TL 11,242 and unlisted shares in the amount of TL 9,444, for a total amount of TL 77,570. Such transfer of shares took place on December 15, 2016.

Pursuant to the Board resolution on November 10, 2016, the equity of Finans Faktoring A.Ş. was increased to thousand TL 20,000 paid fully in cash.

Pursuant to the Board resolution on October 12, 2016, the equity of Hemenal Finansman A.Ş. was increased to thousand TL 50,000 in total, with thousand TL 20,000 paid fully in cash, and thousand TL 30,000 committed.

BRSA approved the purchase of PSA Finance (PSA Finansman Anonim Şirketi) on November 9, 2015, and the transfer of shares of the said company took place on December 14, 2015.

The inquest by the Competition Board initiated on 02.11.2011 regarding some banks including Finansbank A.Ş., came to a close on 11.03.2013. As a result of such inquest, QNB Finansbank paid an administrative fine in the amount of TL 40,516,057.50. An annulment action regarding the aforementioned resolution has been filed on 16.09.2013 before the 16. Administrative Court in Ankara. The case is in progress.

As per the report of the inspection by the Ministry of Customs and Commerce, the Bank was served an administrative fine in the amount of TL 43,568,630. Without prejudice to all legal rights of the Bank regarding annulment of the administrative fine, the fine was paid in the amount of TL 32,676,472.50 on August 28, 2015, benefiting from Art.17 of Law of Misdemeanors no.5326. The Bank has, within the statutory period, filed an annulment action against the resolution of the Ministry regarding the aforementioned fine before the 12. Administrative Court in Istanbul.

The actions filed by the Bank regarding the annulment of the report of Istanbul Directorate of the Turkish Employment Institution, and the relevant administrative fine dated 14.04.2015 in the amount of TL 2,470,389, are in progress.

All legal transactions realized with the controlling company and other affiliated companies thereof, details of which are provided in the Affiliation Reports, have, to the best of our knowledge of circumstances and conditions, been done so against compatible counter actions. No measures have been taken or avoided to be taken, and the Bank has suffered no damages. As a result of inspection of financial transactions the Bank has realized with the controlling company and other affiliated companies thereof, as per Art. 199 o the Turkish Commercial Code, it was seen that all transactions conducted by the Bank were compatible with ensuing market conditions and precedents, done on an arms-length basis.

International Credit Ratings

FITCHRATINGS*	Long Term Foreign Currency IDR	BBB
	Long Term Domestic Currency IDR	BBB
	Short Term Foreign Currency IDR	F2
	Short Term Domestic Currency IDR	F2
	Viability Rating	bbb-
	Support Rating	2
MOODY'S	Long Term Foreign Currency DR	Ba2
	Long Term Domestic Currency DR	Ba1
	Short Term Foreign Currency	NP
	Short Term Domestic Currency DR	NP
	Baseline Credit Assessment	ba3
CAPITAL INTELLIGENCE	Long Term Foreign Currency Rating	BB+
	Short Term Foreign Currency Rating	B
	Bank Financial Strength Rating	BBB
	Support Rating	2

*As of 02.02.2017, L-T foreign and local currency ratings have been lowered to 'BBB-', S-T foreign and local currency ratings have been lowered to 'F3' and Viability rating to 'bb+'

Finansbank A.Ş. 2016 Annual Report Statement of Responsibility

QNB Finansbank's annual report is prepared in accordance with the principles and regulations stated in the "Regulation on the Preparation and Publication of Annual Report for Banks", which appeared in the Official Gazette on November 1, 2006, with number 226333.

Ömer A. Aras
Chairman

Ali Teoman Kerman
Board Member and Chairman
of the Audit Committee

Ramzi T.A. Mari
Board Member and
Audit Committee Member

Fatma A. Al-Suwaidi
Board Member and
Audit Committee Member

Durmuş Ali Kuzu
Board Member and
Audit Committee Member

Temel Güzeloğlu
General Manager

Adnan Menderes Yayla
Executive Vice President,
Financial Control and Planning

Independent Auditor's Audit Report, Unconsolidated Financial Statements and Notes for the Year Ended December 31, 2016

(CONVENIENCE TRANSLATIONS OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

FİNANS BANK ANONİM ŞİRKETİ

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

Independent auditor report

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

Report on the Unconsolidated Financial Statements

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

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

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statement in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and BRSA Accounting and Reporting Legislation which includes the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Independent Auditor's responsibility

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

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the independent auditor's professional judgment, including the assessment of risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the unconsolidated financial statements.

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

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

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

Basis of Qualified Opinion

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

Qualified Opinion

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

Reports on arising from other regulatory requirements:

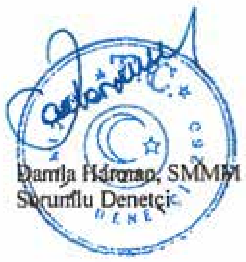
In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1 – December 31, 2016 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English:

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

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



Damla Harman, SMMM
Partner

February 3, 2017
İstanbul, Türkiye

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

FİNANS BANK ANONİM ŞİRKETİ'NİN

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

The Bank's;

Address of the head office	:	Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL
Phone number	:	(0 212) 318 50 00
Facsimile number	:	(0 212) 318 58 50
Web page	:	www.qnbfinansbank.com
E-mail address	:	investor.relations@qnbfinansbank.com

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

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

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

Ömer A. Aras
Chairman of
the Board of Directors

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

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

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

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

Temel Güzeloğlu
General Manager and Member of the
Board of Directors

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

Ercan Sakarya
Director of Financial,
Statutory Reporting and
Treasury Control

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

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

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

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

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FİNANS BANK ANONİM ŞİRKETİ

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

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

SECTION ONE

GENERAL INFORMATION

I. Explanatory note on the establishment date, nature of activities and history of the Bank

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

II. Information about the Bank's shareholding structure, shareholders who individually or jointly have power to control the management and audit directly or indirectly, changes regarding these subjects during the year, if any, and information about the controlling group of the Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) Before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

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

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

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

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

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

III. Information About the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Directors and executive vice presidents; any changes, and the information about the Bank shares they hold and their responsibilities

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

(*) Ramzi Talat A. Mari has been assigned in Extraordinary General Assembly dated June 16, 2016 and his assignment process has been completed on July 18, 2016
(**) As of August 25, 2016 Durmuş Ali Kuzu has been assigned as a member of a board of directors, and as of September 28, 2016 he has been assigned as a member of audit committee.
(***) Ali Rashid A.S Al-Mohannadi has been assigned in Extraordinary General Assembly dated June 16, 2016 and his assignment process has been completed on July 29, 2016.
(****) As of February 12, 2016 Emel Yılmaz Özbay has been assigned as the Executive Vice President responsible for legal department.
(*****) As of June 14, 2016 Engin Turhan has been assigned as Deputy General Manager responsible for Commercial Banking and Project Funding.

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

IV. Information about the persons and institutions that have qualified shares

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

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

V. Explanations on the Bank's services and activities

The Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2016, the Bank operates through 628 domestic (December 31, 2015 – 640), 1 abroad (December 31, 2015 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2015 – 1) branches. As of December 31, 2016, the Bank has 12.451 employees (December 31, 2015 - 12.950 employees).

VI. A short explanation on the differences between the Regulation on Preparation of Consolidated Financial Statements of Banks and the consolidation procedures required by Turkish Accounting Standards and about institutions that are subject to full consolidation, proportional consolidation, by way of deduction from capital or those that are subject to none:

The Bank's joint venture Cigna Finans Emeklilik and Hayat Anonim Şirketi is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

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

All other subsidiaries are fully consolidated.

VII. The existing or potential, actual or legal obstacles to immediate transfer of shareholders' equity between the Bank and its subsidiaries and repayment of debts:

None.

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

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I. Balance Sheet (Statement of Financial Position)

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

FİNANS BANK ANONİM ŞİRKETİ

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

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

I. BALANCE SHEET – ASSETS

			Audited 31/12/2016			Audited 31/12/2015		
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1.929.860	11.174.023	13.103.883	2.088.091	7.908.950	9.997.041
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	2.603.817	211.858	2.815.675	2.059.461	253.202	2.312.663
2.1	Financial assets held for trading		2.580.846	211.858	2.792.704	2.012.107	253.202	2.265.309
2.1.1	Public sector debt securities		5.950	11.486	17.436	23.207	4.853	28.060
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Assets on trading derivatives		2.574.896	200.372	2.775.268	1.988.900	248.349	2.237.249
2.1.4	Other securities		-	-	-	-	-	-
2.2	Financial assets at fair value through profit and loss		22.971	-	22.971	47.354	-	47.354
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		22.971	-	22.971	47.354	-	47.354
2.2.4	Other securities		-	-	-	-	-	-
III.	BANKS	(3)	13.503	260.283	273.786	9.536	306.366	315.902
IV.	MONEY MARKET PLACEMENTS		1.547.549	-	1.547.549	-	-	-
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		246.944	-	246.944	-	-	-
4.3	Receivables from reverse repurchase agreements	(4)	1.300.605	-	1.300.605	-	-	-
V.	INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(5)	4.151.905	2.880.043	7.031.948	3.382.972	1.912.514	5.295.486
5.1	Equity securities		4.225	44.961	49.186	4.231	-	4.231
5.2	Public sector debt securities		4.147.680	2.796.651	6.944.331	3.378.323	1.880.669	5.258.992
5.3	Other securities		-	38.431	38.431	418	31.845	32.263
VI.	LOANS AND RECEIVABLES	(6)	50.044.814	12.855.446	62.900.260	47.256.465	9.969.165	57.225.630
6.1	Loans and receivables		49.431.744	12.855.446	62.287.190	46.512.772	9.969.165	56.481.937
6.1.1	Loans to risk group of the Bank		167.228	98.076	265.304	96.840	59.113	155.953
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3.	Other		49.264.516	12.757.370	62.021.886	46.415.932	9.910.052	56.325.984
6.2	Non-performing loans		3.840.927	-	3.840.927	3.797.990	-	3.797.990
6.3	Specific provisions (-)		3.227.857	-	3.227.857	3.054.297	-	3.054.297
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	INVESTMENT SECURITIES HELD TO MATURITY (Net)	(7)	3.383.952	2.516.555	5.900.507	3.009.964	863.950	3.873.914
8.1	Public sector debt securities		3.383.952	1.915.594	5.299.546	3.009.964	110.652	3.120.616
8.2	Other securities		-	600.961	600.961	-	753.298	753.298
IX.	INVESTMENT IN ASSOCIATES (Net)	(8)	3.766	-	3.766	3.766	-	3.766
9.1	Equity method associates		-	-	-	-	-	-
9.2	Unconsolidated		3.766	-	3.766	3.766	-	3.766
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766	3.766	-	3.766
X.	INVESTMENT IN SUBSIDIARIES (Net)	(9)	665.618	-	665.618	343.000	-	343.000
10.1	Unconsolidated financial investments		647.572	-	647.572	324.954	-	324.954
10.2	Unconsolidated non-financial investments		18.046	-	18.046	18.046	-	18.046
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	(10)	129.443	-	129.443	95.233	-	95.233
11.1	Equity method entities under common control		-	-	-	-	-	-
11.2	Unconsolidated		129.443	-	129.443	95.233	-	95.233
11.2.1	Financial investments		126.643	-	126.643	92.433	-	92.433
11.2.2	Non-financial Investments		2.800	-	2.800	2.800	-	2.800
XII.	LEASE RECEIVABLES (Net)	(11)	-	-	-	-	-	-
12.1	Financial lease receivables		-	-	-	-	-	-
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES	(12)	3.409.777	33.561	3.443.338	3.219.905	19.104	3.239.009
13.1	Fair value hedge		2.346.595	18.509	2.365.104	2.292.114	18.069	2.310.183
13.2	Cash flow hedge		1.063.182	15.052	1.078.234	927.791	1.035	928.826
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(13)	1.833.271	48	1.833.319	1.576.634	8	1.576.642
XV.	INTANGIBLE ASSETS (Net)	(14)	280.166	-	280.166	263.957	-	263.957
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		280.166	-	280.166	263.957	-	263.957
XVI.	INVESTMENT PROPERTIES (Net)	(15)	-	-	-	-	-	-
XVII.	TAX ASSETS	(16)	33.517	-	33.517	78.968	-	78.968
17.1	Current tax assets		-	-	-	-	-	-
17.2	Deferred tax assets		33.517	-	33.517	78.968	-	78.968
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(17)	-	-	-	-	-	-
18.1	Assets held for sale		-	-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(18)	1.135.700	404.579	1.540.279	976.301	129.885	1.106.186
	TOTAL ASSETS		71.166.658	30.336.396	101.503.054	64.364.253	21.363.144	85.727.397

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

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

FİNANS BANK ANONİM ŞİRKETİ

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

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

I. BALANCE SHEET – LIABILITIES AND EQUITY

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

The accomp anying notes are an integral part of these financial statements.

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

FİNANS BANK ANONİM ŞİRKETİ

INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2016 (STATEMENT OF INCOME/LOSS)

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

			Audited 31/12/2016			Audited 31/12/2015		
		Section 5. Part III.	TL	FC	Total	TL	FC	Total
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**107.724.136**	**100.291.889**	**208.016.025**	**101.035.556**	**99.438.836**	**200.474.392**
I.	**GUARANTEES**	**(1), (2), (3),(4)**	**7.171.006**	**6.013.004**	**13.184.010**	**6.009.442**	**4.466.384**	**10.475.826**
1.1.	Letters of guarantee		7.158.585	3.648.130	10.806.715	5.981.355	3.047.590	9.028.945
1.1.1.	Guarantees subject to State Tender Law		310.573	36.451	347.024	294.530	30.894	325.424
1.1.2.	Guarantees given for foreign trade operations		3.527.000	3.611.679	7.138.679	3.171.512	3.016.696	6.188.208
1.1.3.	Other letters of guarantee		3.321.012	-	3.321.012	2.515.313	-	2.515.313
1.2.	Bank loans		7.421	1.248.056	1.255.477	23.085	772.477	795.562
1.2.1.	Import letter of acceptance		7.421	1.248.056	1.255.477	23.085	772.477	795.562
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		5.000	1.116.818	1.121.818	5.002	646.317	651.319
1.3.1.	Documentary letters of credit		5.000	1.084.124	1.089.124	5.002	628.377	633.379
1.3.2.	Other letters of credit		-	32.694	32.694	-	17.940	17.940
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**(1)**	**39.611.999**	**1.954.418**	**41.566.417**	**35.030.262**	**727.276**	**35.757.538**
2.1.	Irrevocable commitments		39.371.199	1.954.418	41.325.617	33.929.719	663.627	34.593.346
2.1.1.	Forward asset purchase commitments		355.574	860.966	1.216.540	190.701	612.957	803.658
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		30.000	-	30.000	-	-	-
2.1.4.	Loan granting commitments		19.364.771	353	19.365.124	14.364.712	291	14.365.003
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2.707.388	-	2.707.388	2.558.758	-	2.558.758
2.1.8.	Tax and fund liabilities from export commitments		10.267	-	10.267	8.479	-	8.479
2.1.9.	Commitments for credit card expenditure limits		16.396.189	-	16.396.189	16.255.578	-	16.255.578
2.1.10.	Commitments for promotions related with credit cards and banking activities		19.721	-	19.721	34.278	-	34.278
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		487.289	1.093.099	1.580.388	517.213	50.379	567.592
2.2.	Revocable commitments		240.800	-	240.800	1.100.543	63.649	1.164.192
2.2.1.	Revocable loan granting commitments		240.800	-	240.800	1.100.543	63.649	1.164.192
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**60.941.131**	**92.324.467**	**153.265.598**	**59.995.852**	**94.245.176**	**154.241.028**
3.1	Derivative financial instruments for hedging purposes		16.730.698	21.068.526	37.799.224	14.891.873	21.742.737	36.634.610
3.1.1	Fair value hedge		3.456.411	11.638.573	15.094.984	4.300.297	13.464.154	17.764.451
3.1.2	Cash flow hedge		13.274.287	9.429.953	22.704.240	10.591.576	8.278.583	18.870.159
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		44.210.433	71.255.941	115.466.374	45.103.979	72.502.439	117.606.418
3.2.1	Forward foreign currency buy/sell transactions		4.118.082	6.260.934	10.379.016	3.972.761	4.554.462	8.527.223
3.2.1.1	Forward foreign currency transactions-buy		2.683.949	2.466.591	5.150.540	2.602.412	1.664.211	4.266.623
3.2.1.2	Forward foreign currency transactions-sell		1.434.133	3.794.343	5.228.476	1.370.349	2.890.251	4.260.600
3.2.2	Swap transactions related to foreign currency and interest rates		35.589.750	58.950.398	94.540.148	35.943.194	58.224.153	94.167.347
3.2.2.1	Foreign currency swap-buy		15.367.108	23.909.128	39.276.236	15.836.451	25.523.539	41.359.990
3.2.2.2	Foreign currency swap-sell		18.682.642	20.320.208	39.002.850	19.805.147	21.547.586	41.352.733
3.2.2.3	Interest rate swaps-buy		770.000	7.360.531	8.130.531	150.798	5.576.514	5.727.312
3.2.2.4	Interest rate swaps-sell		770.000	7.360.531	8.130.531	150.798	5.576.514	5.727.312
3.2.3	Foreign currency, interest rate and securities options		4.502.601	5.087.199	9.589.800	5.187.330	8.443.962	13.631.292
3.2.3.1	Foreign currency options-buy		2.355.495	2.402.267	4.757.762	2.727.400	4.088.589	6.815.989
3.2.3.2	Foreign currency options-sell		2.147.106	2.684.932	4.832.038	2.459.930	4.355.373	6.815.303
3.2.3.3	Interest rate options-buy		-	-	-	-	-	-
3.2.3.4	Interest rate options-sell		-	-	-	-	-	-
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		-	74.460	74.460	694	32.026	32.720
3.2.4.1	Foreign currency futures-buy		-	37.230	37.230	347	16.013	16.360
3.2.4.2	Foreign currency futures-sell		-	37.230	37.230	347	16.013	16.360
3.2.5	Interest rate futures		-	-	-	-	535.474	535.474
3.2.5.1	Interest rate futures-buy		-	-	-	-	267.737	267.737
3.2.5.2	Interest rate futures-sell		-	-	-	-	267.737	267.737
3.2.6	Other		-	882.950	882.950	-	712.362	712.362
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**518.509.096**	**88.699.243**	**607.208.339**	**456.270.909**	**82.337.037**	**538.607.946**
IV.	**ITEMS HELD IN CUSTODY**		**8.741.145**	**2.223.883**	**10.965.028**	**7.770.373**	**1.752.505**	**9.522.878**
4.1.	Assets under management		4.509.095	-	4.509.095	4.494.763	-	4.494.763
4.2.	Investment securities held in custody		263.988	1.348.273	1.612.261	196.455	815.520	1.011.975
4.3.	Checks received for collection		3.047.124	416.731	3.463.855	2.309.274	323.362	2.632.636
4.4.	Commercial notes received for collection		920.938	192.617	1.113.555	769.881	155.165	925.046
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		-	266.262	266.262	-	458.458	458.458
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**320.129.826**	**47.175.906**	**367.305.732**	**274.029.387**	**44.825.851**	**318.855.238**
5.1.	Marketable securities		1.059.127	3.186.362	4.245.489	889.715	3.510.280	4.399.995
5.2.	Guarantee notes		201.294	76.487	277.781	202.830	56.171	259.001
5.3.	Commodity		61.743	-	61.743	62.871	-	62.871
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		78.296.557	25.750.041	104.046.598	68.856.288	23.649.829	92.506.117
5.6.	Other pledged items		240.511.105	18.163.016	258.674.121	204.017.683	17.609.571	221.627.254
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**189.638.125**	**39.299.454**	**228.937.579**	**174.471.149**	**35.758.681**	**210.229.830**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**626.233.232**	**188.991.132**	**815.224.364**	**557.306.465**	**181.775.873**	**739.082.338**

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

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

FİNANS BANK ANONİM ŞİRKETİ

INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2016 (STATEMENT OF INCOME/LOSS)

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

III. INCOME STATEMENT

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

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

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

FİNANS BANK ANONİM ŞİRKETİ

STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2016 (STATEMENT OF OTHER COMPREHENSIVE INCOME / LOSS)

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

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

FİNANS BANK ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Part 5 Section V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share 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
	Prior period – 01.01 31.12.2015																	
I.	**Beginning balance**		2.835.000	-	714	-	365.367	-	4.236.500	(48.141)	-	877.428	345.070	-	2.689	(40.479)	-	8.574.148
II.	**Correction made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances at beginning of the period (I+II)**		2.835.000	-	714	-	365.367	-	4.236.500	(48.141)	-	877.428	345.070	-	2.689	(40.479)	-	8.574.148
	Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	**Increase/decrease related to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Marketable securities valuation differences**	(1)	-	-	-	-	-	-	-	-	-	-	(382.009)	-	-	-	-	(382.009)
VI.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	121.654	-	121.654
6.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	121.654	-	121.654
6.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Tangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Bonus shares obtained from associates, subsidiaries and entities under common control**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Foreign exchange differences**	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**The disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**The reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**The effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Capital increase**	(5)	165.000	-	-	-	-	-	(165.000)	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources		165.000	-	-	-	-	-	(165.000)	-	-	-	-	-	-	-	-	-
XV.	**Share issue**																	
XVI.	**Share cancellation profits**																	
XVII.	**Inflation adjustment to paid-in capital**																	
XVIII.	**Other**		-	-	-	-	-	-	-	4.211	-	-	-	-	-	-	-	4.211
XIX.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	705.772	-	-	-	-	-	-	705.772
XX.	**Profit distribution**	(3)	-	-	-	-	43.871	-	833.557	-	-	(877.428)	-	-	-	-	-	-
20.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves		-	-	-	-	43.871	-	833.557	-	-	(877.428)	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (III+IV+V+...+XVII+XIX+XX)		3.000.000	-	714	-	409.238	-	4.905.057	(43.930)	705.772	-	(36.939)	-	2.689	81.175	-	9.023.776

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

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

FİNANS BANK ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2016

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Part 5 Section V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share 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
	Current period – 01.01 – 31.12.2016																	
I.	**Beginning balance**		3.000.000	-	714	-	409.238	-	4.905.057	(43.930)	-	705.772	(36.939)	-	2.689	81.175	-	9.023.776
	Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	**Increase/decrease related to merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable securities valuation differences**	(1)	-	-	-	-	-	-	-	-	-	-	(67.145)	-	-	-	-	(67.145)
IV.	**Hedging funds (effective portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Tangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Intangible assets revaluation differences**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus shares obtained from associates, subsidiaries and entities under common control**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign exchange differences**	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**The disposal of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**The reclassification of assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**The effect of change in associates' equity**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	**Capital increase**	(5)	150.000	-	-	-	-	-	(150.000)	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		150.000	-	-	-	-	-	(150.000)	-	-	-	-	-	-	-	-	-
XIII.	**Share issue**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share cancellation profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Inflation adjustment to paid-in capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	1.911	-	-	-	-	-	-	-	1.911
XVII.	**Period net income/(loss)**		-	-	-	-	-	-	-	-	1.203.410	-	-	-	-	-	-	1.203.410
XVIII.	**Profit distribution**	(3)	-	-	-	-	35.289	-	670.483	-	-	(705.772)	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	35.289	-	670.483	-	-	(705.772)	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (I+II+III+... +XVI+XVII+XVIII)		3.150.000	-	714	-	444.527	-	5.425.540	(42.019)	1.203.410	-	(104.084)	-	2.689	45.551	-	10.126.328

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

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

FİNANS BANK ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2016

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

VI. STATEMENT OF CASH FLOWS

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

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

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

FİNANS BANK ANONİM ŞİRKETİ

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

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

VII. UNCONSOLIDATED PROFIT APPROPRIATION STATEMENT

		Audited 31.12.2016(*)	Audited 31.12.2015
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	Current Year Income	1.483.821	902.849
1.2	Taxes And Duties Payable (-)	280.411	197.077
1.2.1	Corporate Tax (Income Tax)	182.485	209.735
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes And Duties	97.926	(12.658)
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**1.203.410**	**705.772**
1.3	Prior Year Losses(-)	-	-
1.4	First Legal Reserves(-)	-	35.289
1.5	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**1.203.410**	**670.483**
1.6	First Dividend To Shareholders(-)	-	150.000
1.6.1	To Owners Of Ordinary Shares	-	150.000(**)
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	-
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders(-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves(-)	-	-
1.12	Extraordinary Reserves	-	520.483
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders(-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
2.4	Dividends To Personnel(-)	-	-
2.5	Dividends To Board Of Directors(-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	To Owners Of Ordinary Shares	0,03820	0,02353
3.2	To Owners Of Ordinary Shares(%)	%3,82	%2,36
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares(%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

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

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

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The Turkish Banking Law No: 5411 is published in the Official Gazette No: 25983 dated November 1, 2005. The Bank prepared the accompanying unconsolidated financial statements and the related disclosures and footnotes, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA"). The format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué.

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

Explanation for Convenience Translation to English

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

2. Classifications

None.

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, the requirements of TAS and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2015. The amendments of TAS and TFRS, effective as of January 1, 2016, have no material impact on the Bank's counting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXV below.

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

The financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value, which are financial assets designated at fair value through profit or loss, available for sale financial assets, subsidiaries, joint ventures, trading derivative financial assets, and hedging derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

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

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

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

1. Strategy for the use of financial instruments

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

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

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

The strategies for hedging exchange rate risk resulting from the Bank’s foreign currency available-for- sale debt securities are explained in foreign currency risk section and the applications regarding the cash flow hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

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

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

2. Foreign currency transactions

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2016 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank's foreign currency exchange rates for the related period ends are as follows:

	December 31, 2016	December 31, 2015
US Dollar	TL 3,5318	TL 2,9076
Euro	TL 3,6939	TL 3,1776

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

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

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

Associates and Entities Under Common Control are recognized in the framework of TAS 39 "Financial Instruments: Turkish Accounting Standards related to Recognition and Measurement" in accordance with TAS 27 "Individual Financial Statements" and TAS 28 "Investments in Subsidiaries and Associates" standards while subsidiaries are recognized based on cost principle.

IV. Explanations on forwards, option contracts and derivative instruments

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

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

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", derivative instruments are categorized as "hedging purpose" or "trading purpose" transactions. Derivatives are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Assets on Trading Derivatives" ,"Liabilities on Trading Derivatives" or "Assets on Hedging Purpose Derivatives" and "Liabilities on Hedging Purpose Derivatives" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation. Fair values of forward foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data. Unrealized gains and losses are reflected in the income statement in the current period.

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

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

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

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

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with an average maturity of 1 month against interest rate fluctuations. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

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

In fair value hedge accounting:

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

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

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

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

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued by the Bank using interest rate swap transactions as hedging instruments. The Bank performs hedge effectiveness tests at each balance sheet date.

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

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

V. Explanations on Interest Income and Expenses

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Assets

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

1. Financial assets at fair value through profit or loss

1.1. Trading securities

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

1.2. Financial assets at fair value through profit or loss

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

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

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

2. Investment securities available for sale

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

Premiums and discounts on investment securities available-for-sale are considered during the computation of the internal rate of return and are included in interest income in the income statement. Accrued interest income on investment securities available for sale is recognized in the income statement whereas gains and losses arising from the change in the fair values of such securities are reflected in equity under "Securities value increase fund" (Unrealized Gains/Losses on Securities). When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement. The Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as available for sale securities are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under Investment Securities Available for Sale in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under "Securities Trading Gains/ Losses" in the income statement.

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

3. Investment securities held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

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

4. Loans and specific provisions

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

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

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

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

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

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

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

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

VIII. Explanations on Impairment of Financial Assets

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

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

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

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

IX. Explanations on Netting of Financial Instruments

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

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 5.830.870 (December 31, 2015– TL 5.089.003).

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

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

XI. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

XII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

XIII. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XIV. Explanations on Leasing Transactions

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

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

The Bank has no leasing transactions as lessor.

XV. Explanations on Provisions and Contingent Liabilities

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

XVI. Explanations on Obligations of the Bank Concerning Employee Benefits

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

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

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

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

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

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

XVII. Explanations on Taxation

1. Corporate Tax

In accordance with the Corporate Tax Law No. 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. Advance corporate taxes paid are followed under "Current Tax Liability" or "Current Tax Asset" account and are deducted from the corporate taxes of the current year.

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

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

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

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

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

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

2. Deferred Taxes

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

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

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

3. Transfer Pricing

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

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

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

XVIII. Explanations on Additional Explanations on Borrowings

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

XIX. Explanations on Share Issues

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

XX. Explanations on Confirmed Bills of Exchange and Acceptances

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

XXI. Explanations on Government Incentives

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

XXII. Explanations on Segment Reporting

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

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

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

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

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

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

XXIII. Explanations on Profit Reserves and Profit Distribution

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

Statement of Profit Distribution, 2015

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

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

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XXIV. Earnings Per Share

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

	Current Period	Prior Period
Net Profit for the Period	1.203.410	705.772
Weighted Average Amount of Shares Issued (Thousands)	31.500.000	31.500.000
Earnings Per Share	**0,03820**	**0,02241**

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

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

XXV. Explanations on Other Matters

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

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

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

Information on Equity Accounts	Current Period December 31, 2016	1/1/2014 Amounts related to previous application(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.150.000	
Share issue premiums	714	
Reserves	5.870.067	
Gains recognized in equity as per TAS	316.441	
Profit	1.203.410	
Current Period Profit	1.203.410	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
Common Equity Tier 1 Capital Before Deductions	**10.543.321**	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	462.544	
Improvement costs for operating leasing	77.242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	150.233	250.388
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**690.019**	
Total Common Equity Tier 1 Capital	**9.853.302**	

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	Current Period December 31, 2016	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	100.155	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	9.753.147	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	693.264	
Provisions (Article 8 of the Regulation on the Equity of Banks)	858.439	
Tier II Capital Before Deductions	1.551.703	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	1.551.703	
Total Capital (The sum of Tier I Capital and Tier II Capital)	11.304.850	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.669	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	19.013	
Other items to be defined by the BRSA (-)	32.000	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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	Current Period December 31, 2016	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	11.241.168	
Total risk weighted amounts	77.381.442	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	%12,73	
Tier 1 Capital Adequacy Ratio	%12,60	
Capital Adequacy Ratio	%14,53	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	%5,38	
Capital conservation buffer requirement	%0,63	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	%6,73	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	126.643	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	33.517	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.288.394	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	858.439	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	693.264	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	2.520.674	

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

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	Prior Period December 31, 2015(*)
COMMON EQUITY	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.000.000
Share premium	714
Share cancellation profits	-
Reserves	5.314.295
Gains recognized in equity as per TAS	207.320
Profit	705.772
Current Period Profit	705.772
Prior Period Profit	-
Provisions for Possible Risks	100.000
Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	2.689
Common Equity Before Deductions	9.330.790
Deductions from Common Equity	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	288.189
Improvement costs for operating leasing (-)	88.288
Goodwill or other intangible assets and deferred tax liability related to these items (-)	94.243
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law (-)	-
Direct and indirect investments of the Bank in its own Common Equity (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
of Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity (-)	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity (-)	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial	-
institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	
Excess amount arising from mortgage servicing rights (-)	-
Excess amount arising from deferred tax assets based on temporary differences (-)	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Common Equity	470.720
Total Common Equity	8.860.070
ADDITIONAL TIER I CAPITAL	
Capital amount and related premiums corresponding to preference shares that are not included in common equity	-
Debt instruments and premiums deemed suitable by BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2014)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of the total of net long positions of investments made in Additional Tier I Capital and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	-

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

	December 31, 2015 (*)
Capital Requirements for Credit Risk (Related of Credit Risk Amount 0,08) (KRSY)	5.156.328
Capital Requirement for Market Risk (PRSY)	85.370
Capital Requirement for Operations Risk (ORSY)	572.223
Equity	11.193.253
Equity/(KRSY +PRSY+ORSY)*12,5*100	15,40%
Capital /((KRSY+PRSY+ORSY) *12,5*100)	12,00%
Common Equity /((KRSY+PRSY+ORSY) *12,5*100)	12,19%

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

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

Information on debt instruments included in the calculation of equity:

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

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

December 21, 2015.

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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 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2
Incompliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes	Yes	Yes
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8-2-ğ	8-2-ğ	8-2-ğ	8-2-ğ

II. Explanations on Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The receivables of the Bank from its top 100 cash loan customers are 18% in the total cash loans (December 31, 2015 – 14%).
The receivables of the Bank from its top 200 cash loan customers are 21% in the total cash loans. (December 31, 2015 - 17%)
The receivables of the Bank from its top 100 non-cash loan customers are 42% in the total non-cash loans (December 31, 2015 – 43%).
The receivables of the Bank from its top 200 non-cash loan customers are 51% in the total non-cash loans. (December 31, 2015 – 50%)
The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non -cash loans is 19% (December 31, 2015 – 16%).
The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non -cash loans is 23%. (December 31, 2015 – 19%)
The general loan loss provision related with the credit risk taken by the Bank is TL 1.288.394 (December 31, 2015 – TL 1.190.403).
Provision for probable risks in the Bank’s loan portfolio amounted to TL 39.901 (December 31, 2015 – TL 106.241).

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

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

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

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Profile of significant exposures in major regions:

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	25.551.209	12.947	50.525	-	-	3.650.268	24.728.413	35.533.994	9.207.929	613.060	57	-	-	-	-	-	3.991.353	103.339.755
EU countries	-	-	-	-	-	9.450.475	158.916	165	878	11	26.570	-	-	-	-	-	-	9.637.015
OECD countries (**)	-	-	-	-	-	72.751	6.339	5	-	-	-	-	-	-	-	-	-	79.095
Off-shore banking regions	-	-	-	-	-	20.235	52.982	29	171	-	-	-	-	-	-	-	-	73.417
USA, Canada	-	-	-	-	-	302.534	23.095	1.649	-	-	-	-	-	-	-	47.388	-	374.666
Other countries	-	-	-	-	-	35.973	76.267	8.378	-	-	-	-	-	-	-	-	-	120.618
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	798.827	798.827
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**25.551.209**	**12.947**	**50.525**	**-**	**-**	**13.532.236**	**25.046.012**	**35.544.220**	**9.208.978**	**613.071**	**26.627**	**-**	**-**	**-**	**-**	**47.388**	**4.790.180**	**114.423.393**

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
Domestic	19.981.535	2.277	14.698	-	-	2.244.825	18.935.723	24.346.606	17.375.502	705.499	7.004.963	-	-	-	492	-	3.420.818	94.032.938
EU countries	-	-	-	-	-	6.114.804	155.903	510	771	-	23.060	-	-	-	-	-	-	6.295.048
OECD countries (**)	-	-	-	-	-	55.863	-	177	-	-	-	-	-	-	-	-	-	56.040
Off-shore banking regions	-	-	-	-	-	31.382	28.419	39	5	-	118	-	-	-	-	-	-	59.963
USA, Canada	-	-	-	-	-	243.121	16.273	168	-	-	9	-	-	-	-	-	-	259.571
Other countries	-	-	-	-	-	23.428	19.636	1.805	57	621	12	-	-	-	-	-	-	45.559
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	441.999	441.999
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**19.981.535**	**2.277**	**14.698**	**-**	**-**	**8.713.423**	**19.155.954**	**24.349.305**	**17.376.335**	**706.120**	**7.028.162**	**-**	**-**	**-**	**492**	**-**	**3.862.817**	**101.191.118**

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

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

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

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

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Risk profile by sectors or counterparties:

	Exposure Categories(*)																			
Current Period	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	-	-	739	-	-	-	301.391	1.684.909	36.979	11.111	-	-	-	-	-	-	-	1.929.562	105.567	2.035.129
Farming and Livestock	-	-	739	-	-	-	216.581	1.663.264	34.848	11.040	-	-	-	-	-	-	-	1.901.571	24.901	1.926.472
Forestation	-	-	-	-	-	-	-	2.422	-	4	-	-	-	-	-	-	-	2.426	-	2.426
Fishing Industry	-	-	-	-	-	-	84.810	19.223	2.131	67	-	-	-	-	-	-	-	25.565	80.666	106.231
Industrial	-	12.849	5.694	-	-	-	8.725.171	3.357.382	702.931	53.835	-	-	-	-	-	-	-	5.324.180	7.533.682	12.857.862
Mining and Quarrying	-	-	-	-	-	-	163.952	66.758	23.109	168	-	-	-	-	-	-	-	145.821	108.166	253.987
Manufacturing Industry	-	-	5.694	-	-	-	6.092.384	3.275.388	675.507	53.521	-	-	-	-	-	-	-	5.028.143	5.074.351	10.102.494
Electricity, Gas, Water	-	12.849	-	-	-	-	2.468.835	15.236	4.315	146	-	-	-	-	-	-	-	150.216	2.351.165	2.501.381
Construction	-	-	1.227	-	-	-	2.741.558	2.204.515	779.333	13.202	-	-	-	-	-	-	-	4.419.767	1.320.068	5.739.835
Services	13.502.751	36	10.970	-	-	13.023.269	12.454.535	8.703.097	2.650.645	142.055	1	-	-	-	-	-	-	22.807.847	27.679.512	50.487.359
Wholesale and Retail Trade	-	-	1.021	-	-	-	4.840.134	6.879.165	849.005	119.467	1	-	-	-	-	-	-	10.000.283	2.688.510	12.688.793
Hotels and Restaurants	-	-	-	-	-	-	892.220	181.259	288.631	6.036	-	-	-	-	-	-	-	318.561	1.049.585	1.368.146
Transportation and Communications	-	-	1	-	-	-	3.220.780	637.763	55.728	6.608	-	-	-	-	-	-	-	927.699	2.993.181	3.920.880
Financial Institutions	13.502.751	33	-	-	-	13.023.269	394.741	65.389	2.970	291	-	-	-	-	-	-	-	9.741.866	17.247.578	26.989.444
Real Estate and Rent Services	-	-	-	-	-	-	1.452.962	184.936	1.141.097	1.523	-	-	-	-	-	-	-	301.863	2.478.655	2.780.518
Independent Business Services	-	-	9.573	-	-	-	425.980	399.778	131.650	4.774	-	-	-	-	-	-	-	583.984	387.771	971.755
Education Services	-	-	314	-	-	-	164.008	114.578	60.130	1.035	-	-	-	-	-	-	-	303.681	36.384	340.065
Health and Social Services	-	3	61	-	-	-	1.063.710	240.229	121.434	2.321	-	-	-	-	-	-	-	629.910	797.848	1.427.758
Other	12.048.458	62	31.895	-	-	508.967	823.357	19.594.317	5.039.090	392.868	26.626	-	-	-	-	47.388	4.790.180	37.472.992	5.830.216	43.303.208
Total	25.551.209	12.947	50.525	-	-	13.532.236	25.046.012	35.544.220	9.208.978	613.071	26.627	-	-	-	-	47.388	4.790.180	71.954.348	42.469.045	114.423.393

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

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

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

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

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

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

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

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

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

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

	Term to Maturity				
Prior Period Exposure Categories	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Conditional and unconditional receivables from central governments and Central Banks	2.371.669	13.060	7.102	31.632	8.525.431
Conditional and unconditional receivables from regional or local governments	-	296	-	-	1.934
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	1	-	2	14.506	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.747.121	1.203.221	186.307	263.216	1.197.118
Conditional and unconditional receivables from corporates	1.616.828	1.573.739	2.513.790	3.524.037	7.617.483
Conditional and unconditional receivables from retail portfolios	1.319.822	1.185.860	3.544.203	2.324.885	2.906.744
Conditional and unconditional receivables secured by mortgages	205.075	470.699	1.103.957	1.587.839	13.672.101
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	215	-	-	295.981	6.584.990
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	4.225	-	-	-	109
Total	**7.264.956**	**4.446.875**	**7.355.361**	**8.042.096**	**40.505.910**

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

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

FİNANS BANK ANONİM ŞİRKETİ

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

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

Exposures by risk weights:

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

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

Information by major sectors and type of counterparties:

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

Current Period

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

(*) Represents the distribution of cash loans.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period

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

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

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

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

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

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

Exposures subject to countercyclical capital buffer:

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

Information on private receivables

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

Risk Management and General Disclosures regarding Risk Weighted Amounts

1) GBA – Risk Management Approach of the Group

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management Strategy comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. In the Policy regarding the Strategic Risk Management, the Bank's strategic risk management framework and its role and responsibilities in this context are organized. ICAAP also takes place in the center of the Bank's strategic risk management framework.

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

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

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

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

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

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

d) Key elements and scope of Risk Measurement Systems

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

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

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

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

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

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Credit Risk section of the report consists of three main sub sections such as general Outlook, business Loans and retail Loans, and include;

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

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.
Reports are prepared daily and indicatively include the following:

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

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

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

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

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

- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items
- Stress testing framework encompasses reverse stress testing

Market Risk Management defines the stress test approaches as below;

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

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

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

First, it is generally the case that internal expectations about the effectiveness of CRM are based on the internal experience of the Bank, incorporated in the respective credit risk control framework, including its lending processes, and are typically conservatively adjusted, using for example recognition rates per collateral type.
Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank's capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.
Regarding the exposure secured with mortgages, the new capital adequacy regime with BASEL II increased the operational requirements for the recognition.

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

2) GB1 - Overview of Risk Weighted Assets

		Risk Weighted Amount		Minimum Capital Requirement
		31/12/2016	**31/12/2015**	**Current Period**
1.	Credit Risk (excluding counterparty Credit Risk (CCR)	67.160.705	64.454.098	5.372.856
2.	Standardized approach (SA)	67.160.705	64.454.098	5.372.856
3.	Internal rating-based (IRB) approach	-	-	-
4.	Counterparty credit risk	1.514.420	637.294	121.154
5.	Standardized approach for counterparty credit Risk (SA-CCR)	1.514.420	637.294	121.154
6.	Internal model method (IMM)	-	-	-
7.	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8.	Investments made in collective investment companies – look-through approach	-	-	-
9.	Investments made in collective investment companies – mandate-based approach	-	-	-
10.	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11.	Settlement risk	-	-	-
12.	Securitization positions in banking accounts	-	-	-
13.	IRB ratings-based approach (RBA	-	-	-
14.	IRB Supervisory Formula Approach (SFA)	-	-	-
15.	SA/simplified supervisory formula approach (SSFA)	-	-	-
16.	Market risk	1.053.700	1.067.125	84.296
17.	Standardized approach (SA)	1.053.700	1.067.125	84.296
18.	Internal model approaches (IMM)	-	-	-
19.	Operational Risk	7.652.617	7.152.784	612.209
20.	Basic Indicator Approach	7.652.617	7.152.784	612.209
21.	Standard Approach	-	-	-
22.	Advanced measurement approach	-	-	-
23.	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24.	Floor adjustment	-	-	-
	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	**77.381.442**	**73.311.301**	**6.190.515**

FİNANS BANK ANONİM ŞİRKETİ

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

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

Linkages between financial statements and risk amounts

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

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

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

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

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

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

a) None

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Available for Sale". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

c) **Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:**

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

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

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

• Open foreign exchange position with respect to each foreign currency

• Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives

• Reverse repo transactions

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

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

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

• Commodity risk analysis: Simplified approach (Standard method)

• Interest rate risk analysis: General Market Risk Calculation (Standard method – maturity approach) – Specific risk calculation (standard method)

• Equity share risk analysis: Position risk in equity share investments (Standard method)

• Exchange rate exposure analysis (standard method)

• Option risk analysis: Weighting method with delta factor (standard method)

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

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

Definition of independent price approval processes:

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

• Market interest rates (bond, bill and derivative prices)

• Share prices

• Exchange rates

• Gold, other precious metals and commodity prices

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

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

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

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

Credit Risk Disclosures

A) General Information on Credit Risk

1) KRA – General Qualitative Information on Credit Risk

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

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

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

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

• Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)

• Decisions of institutions auditing QNB Group

• Credit policies and procedures at group level

• Risk Management Strategy

• Corporate, commercial and SME banking credit policies and corporate grading management documents

• Individual credit and credit cards policies

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

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

• To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,

• To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,

• To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank,

• To make periodic stress tests and scenario analysis and establish early warning systems,

• To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management,

• To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,

• To promote risk awareness and management culture at group level.

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

Risk governance model includes three lines of defense consisting of:

• The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.

• Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.

• Internal Audit – provides the independent review function.

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

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

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

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

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

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

2) CR1 – Credit quality of assets:

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

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

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

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

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

(**) Includes collections from credits in default.

KRB – Additional disclosures related to credit quality of assets:

(a) Receivables having more than 90 days overdue are defined as "Past due receivables". There is no difference between "past due receivables" and "loans subject to provisioning" since all loans with 90 days overdue are subject to specific provisioning.

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

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

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

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

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

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

Exposures provisioned against by major regions:

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

Exposures provisioned against by major sectors:

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

Breakdown of Exposures according to remaining maturity:

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	12.428.249	6.158.762	18.952.384	18.344.587	6.426.179	62.310.161

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

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

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

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

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

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

g) Aging Analysis

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

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

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

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

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

B) Credit Risk Mitigation

1) KRC - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

2) CR3 Credit risk mitigation techniques – overview:

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount as per TAS	**Exposures secured by collateral**	**Collateralized amount of exposures secured by collateral**	**Exposures secured by financial guarantees**	**Collateralized amount of exposures secured by financial guarantees**	**Exposures secured by credit derivatives**	**Collateralized amount of exposures secured by credit derivatives**
1	Loans	60.885.709	2.037.522	1.202.928	-	-	-	-
2	Debt securities	12.883.269	-	-	-	-	-	-
3	TOTAL	73.768.978	2.037.522	1.202.928	-	-	-	-
4	**Of which defaulted**	610.893	2.177	211	-	-	-	-

C) Credit risk when standard approach is used

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

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

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

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

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

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

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

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

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

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

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

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

1. Disclosures regarding counterparty credit risk

A) Qualitative disclosures regarding DCCR – CCR table:

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

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

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

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

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

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

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.

- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.

- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

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

c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Main Partner Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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

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

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

		a	b
		Exposure (After credit risk mitigation methods)	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (3*multiplier included)		
2	(ii) Stressed Value at Risk (3*multiplier included)		
3	Total portfolio value with simplified approach CVA capital adequacy	1.604.412	266.289
4	Total amount of CVA capital adequacy	1.604.412	266.289

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

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

1- Exposures from central governments or central banks
2- Exposures from regional or local governments
3- Exposures from administrative units and non-commercial enterprises
4- Exposures from multilateral development banks
5- Exposures from international organizations
6- Exposures from banks and brokerage houses
7- Exposures from corporates
8- Retail receivables
9- Receivables secured by mortgages
10- Exposures secured by commercial real estate
11- Past due receivables
12- Exposures defined as high risk category by the Regulator
13- Mortgage-backed Securities
14- Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15- Investments in the Nature of Collective Investment
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E) CCR4 – Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

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

F) CCR5 – Composition of collateral for CCR exposure:

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

G) CCR6 – Credit derivatives exposures

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

H) CCR7 – RWA changes on CCR within the internal model method

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank

I) CCR8 – Exposures to central counterparties

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

5. Securitization exposures:

The Parent Bank has no securitization transactions.

6. Disclosures regarding Consolidated Market Risk

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

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

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

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

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

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

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

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

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

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B) PR1 –Market risk under standardized approach:

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

(*) Outright Product refer to positioning products that are not optional
(**) The Market risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount

7. Explanations Related to the Operational Risk

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

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

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

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

III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

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

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

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

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

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

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

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2016 are TL 3,4889 and TL 3,6813 respectively.

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

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank (1)	2.705.117	6.901.877	1.567.029	11.174.023
Due From Banks	96.131	146.788	17.364	260.283
Financial Assets at Fair Value through Profit/Loss (2)	79.238	94.264	245	173.747
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	348.455	2.531.588	-	2.880.043
Loans and Receivables (3)	7.764.280	8.933.378	16.922	16.714.580
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Investment Securities Held-to-Maturity	16.189	2.500.366	-	2.516.555
Derivative Financial Assets Hedging Purposes	1.298	32.263	-	33.561
Tangible Assets	-	-	48	48
Intangible Assets	-	-	-	-
Other Assets (4)	239.938	161.261	5	401.204
Total Assets	**11.250.646**	**21.301.785**	**1.601.613**	**34.154.044**
Liabilities				
Bank Deposits	429.229	1.017.335	222.232	1.668.796
Foreign Currency Deposits (5)	5.916.390	13.655.710	1.150.955	20.723.055
Money Market Borrowings	178.710	3.340.999	-	3.519.709
Funds Provided from Other Financial Institutions	2.488.975	10.053.256	1.350.233	13.892.464
Securities Issues (6)	-	3.187.028	-	3.187.028
Sundry Creditors	2.632.641	1.756.029	1.056	4.389.726
Derivative Fin. Liabilities for Hedging Purposes	63.701	166.788	-	230.489
Other Liabilities (7)	108.536	234.889	213	343.638
Total Liabilities	**11.818.182**	**33.412.034**	**2.724.689**	**47.954.905**
Net Balance Sheet Position	**(567.536)**	**(12.110.249)**	**(1.123.076)**	**(13.800.861)**
Net Off-Balance Sheet Position	517.755	10.393.147	1.120.232	12.031.134
Financial Derivative Assets	5.949.677	43.105.601	1.221.052	50.276.330
Financial Derivative Liabilities	5.431.922	32.712.454	100.820	38.245.196
Non-Cash Loans (8)	2.203.845	3.737.029	72.130	6.013.004
Prior Period				
Total Assets	8.172.969	14.878.654	1.733.311	24.784.934
Total Liabilities	11.088.271	25.360.692	1.127.387	37.576.350
Net Balance Sheet Position	**(2.915.302)**	**(10.482.038)**	**605.924**	**(12.791.416)**
Net Off-Balance Sheet Position	**2.672.374**	**10.488.686**	**(602.659)**	**12.558.401**
Financial Derivative Assets	7.810.606	45.187.218	354.262	53.352.086
Financial Derivative Liabilities	5.138.232	34.698.532	956.921	40.793.685
Non-Cash Loans (7)	1.304.766	2.171.515	990.103	4.466.384

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

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

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

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

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

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

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

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

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

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

6. Sensitivity to Foreign Exchange Risk

The Bank is mainly exposed to EUR and USD currencies.

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

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

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

IV. Explanations on Interest Rate Risk

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

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

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

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

(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(**) Financial Assets at Fair Value through Profit/Loss include TL 3.443.338 derivative financial assets used for hedging purposes.
(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 426.728

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

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

(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(**) Financial Assets at Fair Value through Profit/Loss include TL 3.239.009 derivative financial assets used for hedging purposes.
(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 283.444.

Average interest rates applied to monetary financial instruments

Current Period	EURO %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,75	-	3,31
Due from Banks	0,03	0,74	-	8,52
Financial Assets at Fair Value Through Profit/Loss	2,41	5,17	-	10,42
Money Market Placements	-	-	-	8,49
Investment Securities Available for Sale	3,51	4,83	-	9,45
Loans and Receivables	4,16	5,22	2,88	14,18
Investment Securities Held to Maturity	2,96	5,06	-	9,70
Liabilities				
Bank Deposits	0,29	0,94	-	9,17
Other Deposits	1,41	2,91	0,94	10,39
Money Market Borrowings	0,24	1,51	-	7,96
Sundry Creditors	0,35	0,45	-	-
Securities Issued	-	5,84	-	10,57
Funds Borrowed	1,29	3,48	-	7,65

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

Prior Period	EURO %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,49	-	3,81
Due from Banks	0,10	0,92	-	10,86
Financial Assets at Fair Value Through Profit/Loss	1,94	4,57	-	10,94
Money Market Placements	-	-	-	-
Investment Securities Available for Sale	3,68	4,96	-	9,93
Loans and Receivables	4,23	4,57	3,65	14,46
Investment Securities Held to Maturity	2,96	5,22	-	10,01
Liabilities				
Bank Deposits	0,87	0,97	-	11,33
Other Deposits	1,62	2,13	0,25	11,78
Money Market Borrowings	0,45	0,92	-	8,03
Sundry Creditors	0,20	0,17	-	-
Securities Issued	-	5,89	-	11,90
Funds Borrowed	1,38	3,43	-	7,57

Interest rate risk on banking book

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

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

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

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

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

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

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TL	(+) 500	(1.011.754)	%(9,00)
	(-) 400	969.371	%8,62
2. EUR	(+) 200	(177.287)	%(1,58)
	(-) 200	205.420	%1,83
3. USD	(+) 200	(184.363)	%(1,64)
	(-) 200	232.063	%2,06
Total (of negative shocks)		**1.406.854**	**%12,52**
Total (of positive shocks)		**(1.373.404)**	**%(12,22)**

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

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

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

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

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

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

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in the Bank in order to monitor related limits. Senior management of the Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors.

The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

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

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

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

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

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

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

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Liquidity Coverage Ratio

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

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

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

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

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

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

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

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

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

Funding sources of the Bank mainly consist of deposits which constitute 53 % of total liabilities of the bank (December 31, 2015 – 57%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

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

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

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

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

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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	4.005.904	9.097.979	-	-	-	-	-	13.103.883
Due from Banks	208.629	52.975	-	12.182	-	-	-	273.786
Financial Assets at Fair Value Through Profit/ Loss (2)	-	722.797	540.080	1.558.975	3.246.643	190.518	-	6.259.013
Money Markets Placements	-	1.547.549	-	-	-	-	-	1.547.549
Investment Securities Available for Sale	49.186	291.553	51.417	231.491	2.543.365	3.864.936	-	7.031.948
Loans and Receivables	-	12.428.249	6.158.307	18.951.018	18.342.766	6.406.850	613.070	62.900.260
Investment Securities Held to Maturity	-	-	80.618	50.057	2.306.876	3.462.956	-	5.900.507
Other Assets	-	1.172.858	-	-	367.420	-	2.945.830	4.486.108
Total Assets	**4.263.719**	**25.313.960**	**6.830.422**	**20.803.723**	**26.807.070**	**13.925.260**	**3.558.900**	**101.503.054**
Liabilities								
Bank Deposits	136.155	1.195.558	573.497	67.775	-	-	-	1.972.985
Other Deposits	9.234.753	30.812.449	9.952.670	1.915.633	50.210	-	-	51.965.715
Funds Borrowed	-	884.910	847.755	7.312.455	4.399.497	549.083	-	13.993.700
Money Market Borrowings	-	4.742.110	584.557	514.581	151.567	522.646	-	6.515.461
Securities Issued	-	600.904	631.420	1.307.912	1.771.335	-	-	4.311.571
Sundry Creditors	-	3.284.690	85.634	193.288	3.039.065	-	-	6.602.677
Other Liabilities (3)	-	1.465.524	531.118	772.802	1.160.564	315.967	11.894.970	16.140.945
Total Liabilities	**9.370.908**	**42.986.145**	**13.206.651**	**12.084.446**	**10.572.238**	**1.387.696**	**11.894.970**	**101.503.054**
Liquidity Excess / Gap	**(5.107.189)**	**(17.672.185)**	**(6.376.229)**	**8.719.277**	**16.234.832**	**12.537.564**	**(8.336.070)**	**-**
Net Off Balance Sheet Exposure (4)	**-**	**253.881**	**211.482**	**542.068**	**1.780.421**	**17.668**	**-**	**2.805.520**
Receivables from Derivatives	-	18.107.138	15.611.275	16.160.452	22.547.162	5.609.532	-	**78.035.559**
Liabilities from Derivatives	-	17.853.257	15.399.793	15.618.384	20.766.741	5.591.864	-	**75.230.039**
Non-cash Loans (5)	**-**	**682.951**	**1.432.264**	**4.438.990**	**2.025.020**	**325.772**	**4.279.013**	**13.184.010**
Prior Period								
Total Assets	3.582.103	20.221.368	6.896.648	19.047.087	22.454.934	10.419.997	3.105.260	85.727.397
Total Liabilities	7.550.745	37.175.354	12.592.576	6.690.986	7.459.212	3.474.920	10.783.604	85.727.397
Liquidity Excess / Gap	**(3.968.642)**	**(16.953.986)**	**(5.695.928)**	**12.356.101**	**14.995.722**	**6.945.077**	**(7.678.344)**	**-**
Net Off Balance Sheet Exposure (4)	**-**	**155.552**	**201.826**	**769.845**	**1.501.774**	**63.421**	**-**	**2.692.418**
Receivables from Derivatives	-	18.374.606	9.932.419	23.640.835	22.132.466	4.386.397	-	78.466.723
Liabilities from Derivatives	-	18.219.054	9.730.593	22.870.990	20.630.692	4.322.976	-	75.774.305
Non-cash Loans (5)	**-**	**433.440**	**830.347**	**3.479.655**	**2.007.868**	**70.982**	**3.653.534**	**10.475.826**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column.

Unallocated other liabilities include shareholders' equity amounting to TL 10.126.328, unallocated provisions amounting to TL 1.768.642.

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

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

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

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

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Analysis of financial liabilities by remaining contractual maturities

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

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

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy (**)	2.862.498	1.227.332	1.655.467	13.864	-	5.759.161
Forward Contracts Sell (**)	(2.925.301)	(1.224.732)	(1.672.828)	(13.534)	-	(5.836.395)
Swap Contracts Buy (*)	18.954.594	7.372.299	13.621.124	22.514.820	5.609.531	68.072.368
Swap Contracts Sell(*)	(18.591.925)	(7.132.995)	(12.780.577)	(20.169.643)	(5.591.864)	(64.267.004)
Futures Buy	-	1.685	34.727	818	-	37.230
Futures Sell	-	(1.685)	(34.727)	(818)	-	(37.230)
Options Buy	1.238.728	2.669.901	849.133	-	-	4.757.762
Options Sell	(1.257.010)	(2.727.322)	(847.706)	-	-	(4.832.038)
Other	-	-	282.544	600.406	-	882.950
Total	**281.584**	**184.483**	**1.107.157**	**2.945.913**	**17.667**	**4.536.804**

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy (**)	2.789.765	900.955	950.963	26.906	-	4.668.589
Forward Contracts Sell (**)	(2.762.992)	(911.233)	(960.933)	(27.134)	-	(4.662.292)
Swap Contracts Buy (*)	13.596.807	6.106.849	20.904.399	22.047.408	4.386.399	67.041.862
Swap Contracts Sell(*)	(13.433.997)	(5.907.471)	(20.146.303)	(19.949.348)	(4.322.976)	(63.760.095)
Futures Buy	45.984	45.918	192.195	-	-	284.097
Futures Sell	(45.984)	(45.918)	(192.195)	-	-	(284.097)
Options Buy	2.606.668	2.616.412	1.592.909	-	-	6.815.989
Options Sell	(2.623.534)	(2.620.599)	(1.571.170)	-	-	(6.815.303)
Other	-	-	-	712.362	-	712.362
Total	**172.717**	**184.913**	**769.865**	**2.810.194**	**63.423**	**4.001.112**

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

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VII. Information regarding Leverage Ratio
Information in regards to the differences between current period and prior period leverage ratio

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,24% (December 31, 2015: 6,51%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

	Book Value	
	Current Period (*)	**Prior Period (*)**
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	93.634.277	81.424.211
(Assets deducted from capital stock)	328.574	335.554
Total risk amount related to Assets on Balance sheet	**93.305.703**	**81.088.657**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	5.373.284	5.796.483
Potential credit risk amount of derivative financial instruments and credit derivatives	771.119	1.350.098
Total risk amount related to derivative financial instruments and credit derivatives	**6.144.403**	**7.146.581**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	**-**	**-**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	55.287.497	46.196.301
(Adjustment amount sourcing from multiplying to credit conversion rates)	(211.383)	(553.365)
Total risk amount related to off-balance sheet transactions	**55.076.114**	**45.642.936**
Capital and Total Risk		
Core Capital	9.646.280	8.712.330
Amount of total risk	154.526.220	133.878.174
Financial leverage ratio	**%6,24**	**%6,51**
Financial leverage ratio	%6,24	%6,51

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

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

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

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

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

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

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

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

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

The classification of fair value calculation is as follows:

a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);

b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

c) Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	**7.444.886**	**6.320.809**	**295.256**	**14.060.951**
Financial Assets whose Fair Value is reflected on Gain/Loss	17.436	-	-	17.436
Derivative Financial Assets for Purchasing and Selling	3.781	2.771.487	-	2.775.268
Available for Sale Financial Assets	6.944.710	83.013	-	7.027.723
Loans and Receivables(*)	-	22.971	-	22.971
Subsidiaries, Affiliates and Entities Under Common Control	478.959	-	295.256	774.215
Derivative Financial Assets Held for Cash Flow Hedges	-	3.443.338	-	3.443.338
Financial Liabilities	**502**	**3.028.164**	**-**	**3.028.666**
Derivative Financial Assets for Purchasing and Selling	502	2.601.436	-	2.601.938
Derivative Financial Liabilities Held for Cash Flow Hedges	-	426.728	-	426.728

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

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

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

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

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

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

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

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS

a) Cash and balances with the Central Bank of Turkey

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

b) Balances with the Central Bank of Turkey

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

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

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

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

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

a) Trading securities given as collateral or blocked

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

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

None (December 31, 2015 – None).

c) Assets on trading derivatives

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

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3. a) Information on banks

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

b) Information on foreign bank accounts

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

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

(**) Includes blocked placements amounting to TL 47.518 at foreign banks (December 31, 2015 - TL 39.803) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	**1.300.605**	**-**	**-**	**-**
T.R Central Bank	-	-	-	-
Banks	1.300.605	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	**-**	**-**	**-**	**-**
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	**1.300.605**	**-**	**-**	**-**

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

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

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

b) Investment securities available for sale

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

(*) The Eurobond Portfolio amounting to TL 1.773.444 (December 31, 2015 – TL 1.520.298) which is accounted for as investment securities available for sale was hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as Investment Securities Available for Sale in order to be in line with balance sheet presentation.
(**) As of December 31, 2015 Share certificates that are quoted on a stock exchange include “exchange traded mutual funds” amounting to TL 487.
(***) It includes 11.695 Type C Visa Inc shares transferred to the Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.

6. Information related to loans

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

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

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

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

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

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

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

c) Loans according to their maturity structure

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

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

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

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

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

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

f) Loans according to borrowers (*)

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

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

g) Domestic and foreign loans (*)

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

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

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h) Loans granted to subsidiaries and associates

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

i) Specific provisions for loans

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
(Gross Amounts Before the Specific Provisions)	735	2.756	70.212
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	735	2.756	70.212
Prior Period			
(Gross Amounts Before the Specific Provisions)	2.471	7.336	96.276
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	2.471	7.336	96.276

j.2) Movement of non-performing loans

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

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

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

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

None (December 31, 2015 - None).

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

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

k) Liquidation policies for uncollectible loans and other receivables:

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

l)Write-off policy:

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

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7. Information on investment securities held-to-maturity

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

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

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

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

c) Information on investment securities held-to-maturity

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

d) Movement of held-to-maturity investments

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

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8. Investments in associates (Net):

8.1. Investments in associates:

a) Information on the unconsolidated subsidiaries

Title	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	-

b) Information on the consolidated subsidiaries:

None.

8.2. Movements of investments in associates

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

8.3. Sectoral distribution of associates

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

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

8.4. Quoted Associates

None (December 31, 2015 - None).

8.5. Valuation methods of investments in associates

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

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

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

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

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

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

(*) As per board of directors meeting dated August 11, 2016 paid in capital of "Finans Yatırım Menkul Değerler A.Ş" and "Finans Portföy Yönetimi A.Ş" representing 0,20% and 0,02% shares are acquired for TL 44 and TL 1 respectively.
(**) On February 3, 2016 in accordance with the Board of Directors of Bank, it is been decided to acquire 3.434.632 shares NBG (prior partner of the Bank) owns in Finans Finansal Kiralama A.Ş. representing the %29,87 of Finans Finansal Kiralama's equity and with TL 34.346 nominal amount for TL 128.112. Subject share transfer has occurred on February 8, 2016. Together with this transaction, the Bank's share in Finans Finansal Kiralama A.Ş. has reached 80,92%. On June 15, 2016, as a result of the Bank's share directly acquired by the QNB, administration of Finans Finansal Kiralama has been transferred to the QNB indirectly, the share of QNB in Finans Finansal Kiralama A.Ş. capital exceeds 97%. In accordance with the Communique on Right of Squeeze out and Sale issued by CMB numbered II-27.2, the right of sale of the other shareholder's has become effective within a period of foreclosure of three months (June16, 2016 - September 16,2016). As of December 31, 2016, the Bank's share in Finans Finansal Kiralama has reached from 80,92% to 81,41% as a result of use of aforementioned right by other shareholders except from controlling shareholder QNB. It is decided to acquire shares traded in Stock Exchange having a nominal value of TL 11.242 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17,99% of total paid capital of Finans Finansal Kiralama A.Ş. and shares not traded in Stock Exchange and having a nominal value of TL 9.444 with a total consideration of TL 77.570 in accordance with Board of Directors resolution dated November 29, 2016 and aforementioned share transfer transaction has been completed on December 15, 2016 and the Bank's share in Finans Finansal Kiralama has reached from 81,41% to 99,40%.
(***) As of November 9, 2015, acquisition of PSA Finansman Anonim Şirketi has been approved by BRSA and share transfer of subject company has been completed as of December 14, 2015. Additionally, the trade name of PSA Finansman Anonim Şirketi has been changed to Hemenal Finansman Anonim Şirketi as of April 18, 2016.

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (**)
1.	268.236	127.977	3.549	9.806	1.930	36.216	27.867	76.012
2.	2.807.421	667.751	3.533	226.235	-	58.677	51.562	481.843
3.	28.615	25.601	4.427	532	-	(2.771)	(1.486)	-
4.	13.650	12.314	137	1.416	2	328	1.733	-
5.	771.472	65.692	1.395	99.837	-	7.080	3.090	64.364

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

b.2) Movement of investments in subsidiaries

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

(*) The Bank has purchased 3.434.632 shares having a total nominal value of TL 34.346 and owned by NBG and equivalent to 29,87% of paid capital of Finans Finansal Kiralama A.Ş. which is one of its subsidiaries with a consideration amounting to TL 128.112 from NBG and 2.068.528 shares having a nominal value of TL 20.685 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17.99% of its paid capital with a consideration amounting to TL 77.570 from Finans Yatırım A.Ş in the current period. Shares, which are equivalent to 0,20% and 0,02% of paid capital of Finans Yatırım Menkul Değerler A.Ş. and Finans Portföy Yönetimi A.Ş. respectively, have been purchased in order of TL 44 and TL 1. Finans Faktoring A.Ş. and Hemenal Finansman A.Ş. has increased its capital at an amount of TL 20.000 through paid capital increase. In previous period, Finans Faktoring A.Ş. increased its capital at an amount of TL 10.000 through paid capital increase. PSA Finansman A.Ş., whose share transfer transactions have been completed as of December 14, 2015, has been purchased with a consideration amounting to TL 8.395.
(**) Represents the cash outflow as a result of liquidation of Finans Yatırım Ortaklığı A.Ş. realized as of December 7, 2015.

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

b.3) Sectoral distribution of subsidiaries

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

b.4) Quoted subsidiaries within the context of consolidation

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

b.5) Explanation to capital adequacy of the significant subsidiaries
The Bank does not have any significant subsidiaries.

10. Investments in entities under common control:

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

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

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

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11. Information on leasing receivables (Net)

None (December 31, 2015 - None).

12. Information on hedging purpose derivatives

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

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

13. Explanations on tangible assets

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

(*) As stated in footnote in 5th Section III.5.1.d, fair value exchange difference income amortized at an amount of TL 239.377 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on "Disposals" line in Property, Plant and Equipment movement statement.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:
Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reverse of TL 29 has been booked (December 31, 2015 - TL 58 impairment loss).

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

None (December 31, 2015- None)

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

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

None (December 31, 2015- None)

14. Explanations on intangible assets

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

a) **Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:** None (December 31, 2015 - None).

b) **Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:** None (December 31, 2015 –None)

c) **The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:** None (December 31, 2015- None).

d) **The book value of intangible fixed assets that are pledged or restricted for use:** None (December 31, 2015- None).

e) **Amount of purchase commitments for intangible fixed assets:** None (December 31, 2015 - None)

f) **Information on revalued intangible assets according to their types:** None (December 31, 2015 – None)

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

Amount of total research expenses recorded in income statement within the period is TL 2.947 (December 31, 2015 – TL 5.470).

h) **Positive or negative consolidation goodwill on entity basis:**

None (December 31, 2015-None).

i) **Information on goodwill:**

None (December 31, 2015-None).

Movements on goodwill in the current period:

None (December 31, 2015- None)

15. Explanations regarding the investment properties: None (December 31, 2015- None).

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

14. Information on tax asset

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

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

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax asset amounting to TL 104.229 (December 31, 2015 –TL 51.754 deferred tax liability) is netted in the equity.

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

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

17. Information on assets held for sale and discontinued operations

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

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

18. Information on other assets

18.1. Information on prepaid expense, tax and similar items

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

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

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

19. Accrued interest and income

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

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

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SECTION FIVE

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES

1. Information on maturity structure of deposits

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

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

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

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

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

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

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

	Current Period	Prior Period
Deposits and accounts in branches abroad	51.038	5.707
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	41.646	61.131
Deposits obtained through illegal acts defined in the 282nd 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	**92.684**	**66.838**

2. Information on trading purpose derivatives

a) Negative value of trading purpose derivatives

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

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

3. Information on funds borrowed

a) Information on banks

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

b) Maturity information on funds borrowed

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

Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Credits obtained predominantly consist of funds provided by financial institutions abroad having different characteristics and maturity-interest structure such as syndication, securitization, post-financing. There exist no risk concentration on the fund sources of the Bank.

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

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

4. Information on funds provided under repurchase agreements

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

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

5. Information on securities issued (Net)

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

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

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

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

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

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

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2015- None).

7.2. Financial Lease Payables

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

7.3. Information on operational lease

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

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

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

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

8. Information on liabilities arising from hedging purpose derivatives

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

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

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

9. Information on provisions

9.1. Information on general provisions

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

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

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

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

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

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

9.4. Information on employee termination benefits and unused vacation accrual

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

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

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

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

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

9.4.1. Movement of employee termination benefits

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

9.5. Information on other provisions

9.5.1. Information on special provisions for possible risks:

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

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

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

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

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

10.1.2. Information on taxes payable

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

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

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

10.1.3. Information on premiums

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

11. Information on payables related to assets held for sale

None (December 31, 2015 – None).

12. Information on subordinated loans

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

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

13. Information on shareholder’s equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.150.000	3.000.000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	12.000.000	12.000.000

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

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

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13.4. Information on share capital increases from revaluation funds

None (December 31, 2015 – None).

13.5. Capital commitments in the last fiscal year and at the end of the following year, the general purpose of these commitments and projected resources required to meet these commitments

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

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

None (December 31, 2015 – None).

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

None (December 31, 2015 – None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	31.500.000	30.000.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	714	714
Common Stock Withdrawal Profits	-	-
Other Capital Instruments	-	-

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

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**316.069**	**-**	**207.320**	**-**
Valuation Difference	316.069	-	207.320	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	**(40.675)**	**(379.478)**	**(65.962)**	**(178.297)**
Valuation Difference	(40.675)	(379.478)	(65.962)	(178.297)
Foreign Exchange Rate Difference	-	-	-	-
Total	**275.394**	**(379.478)**	**141.358**	**(178.297)**

16. Accrued interest and expenses

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

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

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

SECTION FIVE

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

1. Information related to off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

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

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

Specific provision is provided for the non-cash loans amounting to TL 41.241 (December 31, 2015 - TL 36.736) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3 Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	1.255.477	795.562
Letters of Credit	1.121.818	651.319
Other Guarantees	-	-
Total	**2.377.295**	**1.446.881**

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

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

2. Total amount of non-cash loans

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

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

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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	**34.061**	**0,47**	**6.774**	**0,11**	**28.986**	**0,48**	**6.200**	**0,14**
Farming and Raising Livestock	32.713	0,46	265	-	26.741	0,44	6.149	0,14
Forestry	251	-	-	-	963	0,02	-	-
Fishing	1.097	0,02	6.509	0,11	1.282	0,02	51	-
Manufacturing	**1.047.136**	**14,60**	**2.993.067**	**49,78**	**1.083.869**	**18,04**	**2.298.573**	**51,46**
Mining and Quarrying	49.329	0,69	32.428	0,54	52.298	0,87	19.420	0,43
Production	836.199	11,66	2.381.804	39,61	813.184	13,53	1.676.460	37,54
Electricity, gas and water	161.608	2,25	578.835	9,63	218.387	3,63	602.693	13,49
Construction	**2.243.853**	**31,29**	**807.527**	**13,43**	**1.536.308**	**25,56**	**767.217**	**17,18**
Services	**3.748.165**	**52,28**	**2.155.411**	**35,85**	**3.268.772**	**54,39**	**1.371.772**	**30,71**
Wholesale and Retail Trade	2.186.915	30,50	876.553	14,58	1.938.370	32,26	580.540	13,00
Hotel, Food and Beverage Services	101.628	1,42	84.316	1,40	76.266	1,27	72.025	1,61
Transportation&Communication	182.535	2,55	212.038	3,53	129.391	2,15	61.789	1,38
Financial Institutions	753.766	10,51	726.130	12,08	665.350	11,07	487.465	10,91
Real Estate and Renting Services	3.484	0,05	2.114	0,04	4.145	0,07	2.574	0,06
Self-Employment Services	257.428	3,59	46.888	0,78	211.077	3,51	36.507	0,82
Educational Services	5.747	0,08	-	-	6.667	0,11	-	-
Health and Social Services	256.662	3,58	207.372	3,45	237.506	3,95	130.872	2,93
Other	**97.791**	**1,36**	**50.225**	**0,83**	**91.507**	**1,53**	**22.622**	**0,51**
Total	**7.171.006**	**100,00**	**6.013.004**	**100,00**	**6.009.442**	**100,00**	**4.466.384**	**100,000**

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	6.939.103	3.529.492	187.530	109.349
Bills of Exchange and Acceptances	7.421	1.248.034	-	22
Letters of Credit	5.000	1.115.882	-	936
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**6.951.524**	**5.893.408**	**187.530**	**110.307**

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

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

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

5. Information on derivative financial instruments

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

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

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

As of December 31, 2016, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
Current Period									
TL	2.830.861	1.642.795	21.407.238	30.913.210	2.355.495	2.147.106	-	-	-
USD	2.198.997	3.183.658	40.432.094	28.905.387	1.975.445	2.432.743	37.230	37.230	882.950
EURO	701.431	952.940	5.045.532	4.404.674	372.903	202.619	-	-	-
Other	27.872	57.002	1.187.504	43.733	53.919	49.570	-	-	-
Total	**5.759.161**	**5.836.395**	**68.072.368**	**64.267.004**	**4.757.762**	**4.832.038**	**37.230**	**37.230**	**882.950**

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

	Forward Buy(**)	Forward Sell (**)	Swap Buy (*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
Prior Period									
TL	2.708.325	1.455.137	20.022.379	30.812.688	2.727.400	2.459.930	347	347	-
USD	1.098.411	2.750.074	41.217.474	28.811.962	2.587.585	2.852.748	283.750	283.750	712.362
EURO	797.778	386.959	5.512.115	3.249.638	1.500.712	1.501.634	-	-	-
Other	64.075	70.122	289.894	885.807	292	991	-	-	-
Total	**4.668.589**	**4.662.292**	**67.041.862**	**63.760.095**	**6.815.989**	**6.815.303**	**284.097**	**284.097**	**712.362**

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

5.1 Fair value hedge accounting

a) Loans

The Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 3.532.426 (December 31, 2015 – TL 4.352.016) were subject to hedge accounting by swaps with a nominal of TL 3.456.411 (December 31, 2015 – TL 4.378.077). On December 31, 2016 the net market valuation difference income amounting to TL 23.721 due to the gain from loans amounting to TL 103.915 (December 31, 2015 – TL 155.209 loss) and losses from swaps amounting to TL 80.194 (December 31, 2015 – TL 149.945 gain) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 168.103 (December 31, 2015 – TL 156.493) have been subject to hedge accounting with swaps with a nominal amount of TL 160.939 (December 31, 2015 – TL 150.774). In 2016 TL 1.760 net fair valuation difference income, net of TL 2.379 (December 31, 2015 – TL 1.537 loss) income from loans and TL 619 (December 31, 2015 – TL 2.055 gain) loss from swaps has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 21.275 (December 31, 2015 – TL 9.873) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as loss during the current period.

b) Investment securities available for sale

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 378.7 million and EUR 75.8 million (December 31, 2015 – USD 365.7 million and EUR 75.8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2016, the net market valuation difference loss amounting to TL, due to gain from Eurobonds amounting to TL 5.443 (December 31, 2015 – TL 22.427 gain) and loss from swaps amounting to TL 3.002 (December 31, 2015 – 22.647 losses) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period. (As of December 31, 2015 - none)

c) Bonds issued

The Bank applies fair value hedge accounting to hedge against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2015 – USD 650 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2016, TL 456 net fair valuation difference losses, net of TL 7.525(December 31, 2015-TL 7.225 gain) income from issued bonds and TL 7.981 (December 31, 2015 – TL 6.986 gain) income from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

d) Tangible assets

The Bank has designated fair value hedge accounting through foreign currency fundings to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Immovable having a carrying value at an amount of USD 380 million is subjected to hedge accounting with securities issued. The Main Partner Bank has recognized a cumulative amount of TL 298.423 mark to market exchange difference income (December 31, 2015 – TL 10.136) whose TL 239.377 portion is a mark-to-market exchange difference income in current period from aforementioned immovable. The aforementioned exchange difference income will be amortized through the economic life of immovable which is the subject of hedging.

e) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2015: EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference income at an amount of TL 22 sourcing from Credit at an amount of TL 2.160 losses and TL 2.182 gain from swaps is recognized under “Gain/loss from Derivative Financial Transactions.” (December 31, 2015: None)

5.2 Cash flow hedge accounting

a) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 month, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 5.270.130 are subject to hedge accounting as hedging instruments (December 31, 2015 – TL 4.035.130). As a result of the mentioned hedge accounting, fair value losses before taxes amounting to TL 51.278 are accounted for under equity during the current period (December 31, 2015 – TL 68.398 gain). The gain amounting to TL 2 (December 31, 2015 – TL 6.970 gain) relating to the ineffective portion is accounted for at the income statement.

As of the balance sheet date, swaps with a nominal amount of USD 1.737 million (December 31, 2015 – USD 1.877 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 139 million (December 31, 2015 –EUR 139 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value losses before taxes amounting to TL 6.746 are accounted for under equity during the current period (December 31, 2015 – TL 73.534 gain). The loss amounting to TL 636 (December 31, 2015 – TL 589 losses) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is profit of TL 18.624 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2015 – TL 5.195 gain).

The measurements as of December 31, 2016, hedge of cash flow transactions stated above are determined as effective.

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6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2016, the Bank has no commitments "credit linked notes" (As of December 31, 2015- none)

As of December 31, 2016, "Other Derivative Financial Instruments" with nominal amount of USD 250.000.000 (December 31, 2015: USD 225.000.000) are included in Bank's "Swap Interest Sell Transactions." In aforementioned transaction, the Bank is the seller of the protection for USD 245.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 24.635 (December 31, 2015 - TL 37.644) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

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

9. Information on the Bank's rating by international rating institutions

MOODY'S September 2016		FITCH August 2016		CI August 2016	
Long-Term Deposit Rating (FC)	Ba2	Long -Term Foreign Curr.	BBB	Long-Term Foreign Curr.	BB+
Long-Term Deposit Rating (TL)	Ba1	Short-Term Foreign Curr.	F2	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BBB	FC Appearance	Stable
Short-Term Deposit Rating (TL)	NP	Short-Term TL	F2	Financial Strength Rating	BBB
Main Credit Evaluation	ba3	Long-Term National	AAA(tur)	Financial Strength Appearance	Stable
Appearance	Stable	Appearance	Negative	Support	2
		Support	2		
		Financial Capacity Rating	bbb-		

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

SECTION FIVE

IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.458.341	42.704	3.107.011	48.183
Medium and Long-Term Loans	3.623.367	516.563	3.025.029	386.720
Non-Performing Loans	94.501	-	123.260	-
Resource Utilization Support Fund Premiums	-	-	-	
Total	**7.176.209**	**559.267**	**6.255.300**	**434.903**

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	756	-	1
Domestic Banks	2.422	23	1.095	7
Foreign Banks	1.494	5.222	156	1.850
Foreign Headquarters and Branches	-	-	-	-
Total	**3.916**	**6.001**	**1.251**	**1.858**

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

c) Information on interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	3.248	-	1.587	218
Financial Assets at FVTPL	4.231	219	8.595	575
Investment Securities Available for Sale	362.729	121.143	315.146	105.891
Investment Securities Held to Maturity	278.755	72.163	273.657	42.870
Total	**648.963**	**193.525**	**598.985**	**149.554**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. In this context, the estimated inflation rate used is updated during the year when necessary. In this context, as of December 31, 2016, valuation of such assets is made according to estimated annual inflation rate of 7,16%.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	11.808	6.377

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

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Banks	**6.989**	**335.546**	**19.472**	**236.257**
T.R. Central Bank	-	-	-	-
Domestic Banks	6.965	2.150	7.050	2.070
Foreign Banks	24	333.396	12.422	234.187
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**6.989**	**335.546**	**19.472**	**236.257**

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	10.639	23.750

c) Information on interest expense paid to securities issued

As of December 31, 2016 interest paid to securities issued is TL 279.722 (December 31, 2015 – TL 350.268).

d) Information on maturity structure of interest expenses on deposits (Current Period)

		Time Deposits						
Account	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accumulated Deposit Account**	**Total**
Turkish Lira								
Bank Deposits	-	18.523	6.312	237	427	-	-	25.499
Saving Deposits	-	234.421	1.586.095	66.009	33.551	92.527	-	2.012.603
Public Sector Deposits	-	288	6.707	159	241	12	-	7.407
Commercial Deposits	1	182.099	454.173	59.184	21.198	19.613	-	736.268
Other Deposits	-	3.685	70.692	28.024	44.211	1.693	-	148.305
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**1**	**439.016**	**2.123.979**	**153.613**	**99.628**	**113.845**	**-**	**2.930.082**
Foreign Currency								
Deposits	-	28.802	277.304	19.137	5.452	9.424	-	340.119
Bank Deposits	98	16.191	5.655	968	-	-	-	22.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	659	-	-	-	-	-	659
Total	**98**	**45.652**	**282.959**	**20.105**	**5.452**	**9.424**	**-**	**363.690**
Grand Total	**99**	**484.668**	**2.406.938**	**173.718**	**105.080**	**123.269**	**-**	**3.293.772**

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

Information on maturity structure of interest expense on deposits (Prior Period)

		Time Deposits						
Account	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accumulated Deposit Account**	**Total**
Turkish Lira								
Bank Deposits	-	12.979	2.050	-	-	-	-	15.029
Saving Deposits	-	199.374	1.321.852	44.370	22.409	109.226	-	1.697.231
Public Sector Deposits	-	1.830	9.105	111	37	1	-	11.084
Commercial Deposits	-	177.411	400.396	33.269	11.597	15.229	-	637.902
Other Deposits	-	6.286	125.806	2.950	32.170	20.652	-	187.864
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**-**	**397.880**	**1.859.209**	**80.700**	**66.213**	**145.108**	**-**	**2.549.110**
Foreign Currency								
Deposits	-	29.694	211.119	8.305	3.316	10.559	-	262.993
Bank Deposits	25	14.170	3.249	180	-	-	-	17.624
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	645	-	-	-	-	-	645
Total	**25**	**44.509**	**214.368**	**8.485**	**3.316**	**10.559**	**-**	**281.262**
Grand Total	**25**	**442.389**	**2.073.577**	**89.185**	**69.529**	**155.667**	**-**	**2.830.372**

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Interest Expense on Repurchase Agreements (*)	180.552	31.493	190.027	15.266

(*) Disclosed in “Interest on Money Market Transactions”.

f) Information on finance lease expenses

	Current Period	Prior Period
Finance Lease Expenses	145	212

g) Information on interest expense on factoring payables

None (December 31, 2015 – None).

3. Information on dividend income

	Current Period	Prior Period
From Trading Securities	-	-
From Financial assets at fair value through profit and loss	-	-
From Available for Sale Financial Assets	-	-
Other	57	62.872
Total	**57**	**62.872**

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD END DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	**7.724.633**	**19.653.911**
Gains on Capital Market Operations	29.687	48.881
Derivative Financial Instruments	4.027.905	4.523.626
Foreign Exchange Gains	3.667.041	15.081.404
Trading Loss (-)	**8.401.680**	**20.393.687**
Losses on Capital Market Operations	15.698	23.730
Derivative Financial Instruments	4.741.393	5.186.956
Foreign Exchange Losses	3.644.589	15.183.001
Net Trading Income/Loss	**(677.047)**	**(739.776)**

5. Information on other operating income

The Bank recorded the current year collections from loans written off in the previous period, portfolio management fees and expense accrual cancelations in “Other Operating Income” account. In addition, amounting to TL 151.532 gain reflected in the financial statements of the Bank from the transfer of Visa Inc shares to the Visa Europe Ltd. shares that the Bank owns.

6. Provision for losses on loans and other receivables

	Current Period	Prior Period
Specific Provisions For Loans and Other Receivables	**1.377.158**	**893.091**
Loans and Receivables in Group III	258.291	211.957
Loans and Receivables in Group IV	294.699	196.853
Loans and Receivables in Group V	824.168	484.281
Provision for Loans Under Close Monitoring	**(66.340)**	**(93)**
General Provisions	**97.991**	**247.742**
Provision Expenses for Possible Losses	**(100.000)**	**18.000**
Impairment Losses on Securities	**-**	**-**
Financial assets at fair value through profit or loss	-	-
Investment securities available for sale	-	-
Impairment Losses on Associates, Subsidiaries and	**-**	**-**
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
Other	**7.137**	**11.372**
Total	**1.315.946**	**1.170.112**

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

7. Information on other operating expenses

	Current Period	Prior Period
Personnel costs	1.138.118	1.041.885
Reserve for employee termination benefits	15.886	14.372
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	139.609	117.504
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	106.812	91.810
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	6.164	4.050
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	917.505	870.426
Operational lease related expenses	*223.672*	*224.167*
Repair and maintenance expenses	*123.767*	*92.983*
Advertisement expenses	*80.002*	*66.425*
Other expenses	*490.064*	*486.851*
Losses on sales of assets	2.726	6.499
Other (*)	473.664	590.656
Total	**2.800.484**	**2.737.202**

(*) Comprising repayments amounting to TL 76.304 (December 31, 2015: TL 166.703) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the period ended December 31, 2016, net interest income in regards to continued operations of TL 4.504.103 (December 31, 2015 – 3.947.235), net fees and commission income of TL 1.362.603 (December 31, 2015 – TL 1.313.835) and other operating income of TL 410.535 (December 31, 2015 – TL225.997) constitute an important part of the income.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2016, the Bank has recorded tax charge TL 182.485 (December 31, 2015 – TL 209.735 tax charge) and a deferred tax expense of TL 97.926 (December 30, 2015 – TL 12.658 deferred tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2015 – None).

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

Net profit of the Bank from continued operations is TL 1.203.410 (December 31, 2015 – TL 705.772).

11. Explanations on net income/loss for the period

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

None (December 31, 2015 – None).

11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods.

None

11.3. There is no profit or loss attributable to minority shares.

11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement

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

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

SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of available for sale securities

Net decrease of TL 175.894 (December 31, 2015 – TL 192.403 net increase) after tax effect resulting from valuation of available for sale securities at fair values is included in "Securities Value Increase Fund" account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

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

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

2015 profit distribution table:

Current Year Profit	705.772
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(35.289)
B - The First Dividend for Shareholders(*)	(150.000)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(520.483)

(*)Distributed as bonus share

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2015- Profit distribution for 2015 is detailed in footnote 3.1).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	35.289	43.871

4. Information on issuance of share certificates
4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2015 None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

The Bank has increased its paid-in capital through internal reserves amounting to TL 150.000 and TL 165.000, respectively in 2016 and 2015.

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

SECTION FIVE

VI. EXPLANATIONS AND DISCLOSURES RELATED TO CASH FLOWS STATEMENT

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

"Other items" amounting to TL 1.685.783 (December 31, 2015 – TL 2.466.728) in "Operating profit before changes in operating assets and liabilities" consist of commissions paid amounting to TL 263.920 (December 31, 2015 – TL 262.296), net trading income/loss by TL 1.285.878 (December 31, 2015 – TL 1.788.074 net trading income/loss) and other operating expenses amounting to TL 2.707.241 (December 31, 2015 – TL 416.358).

"Other items" in changes in operating assets amounting to TL 569.698 (December 31, 2015- TL 206.279) consist of the decrease in collaterals given by TL 272.634 (December 31, 2015- TL 26.958 decrease) and the increase in other assets by TL 842.332 (December 31, 2015 - TL 233.237 increase).

"Other items" in changes in operating liabilities amounting to TL 3.026.532 (December 31, 2015- TL 2.313.887) consist of the increase in money market borrowings by TL 1.876.007 (December 31, 2015- TL 492.020 increase) and the increase in sundry debtors and other liabilities by TL 1.150.525 (December 31, 2015- TL 1.821.867 increase).

"Other items" in changes in net cash provided from banking operations amounting to TL 123.021 (December 31, 2015 – TL 131.918) includes the increase in intangible assets.

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 92.080 (December 31, 2015 – TL 24.759) as of December 31, 2016.

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

	Current Period January 1, 2016	Prior Period January 1, 2015
Cash	**955.903**	**839.439**
Cash in TL	678.545	590.424
Cash in Foreign Currencies	274.820	248.652
Other	2.538	363
Cash Equivalents	**2.685.681**	**2.028.549**
Balances with the T.R. Central Bank	2.418.116	1.601.665
Banks	276.099	238.219
Money Market Placements	-	200.062
Less: Placements with Banks with Maturities Longer than 3 Months	-	(10.369)
Less: Accruals	(8.534)	(1.028)
Cash and Cash Equivalents	**3.641.584**	**2.867.988**

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

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

	Current Period December 31, 2016	Prior Period December 31, 2015
Cash	**1.064.054**	**955.903**
Cash in TL	685.251	678.545
Cash in Foreign Currencies	376.428	274.820
Other	2.375	2.538
Cash Equivalents	**4.686.330**	**2.685.681**
Balances with the T.R. Central Bank	2.941.850	2.418.116
Banks	226.268	276.099
Money Market Placements	1.546.944	-
Less: Placements with Banks with Maturities Longer than 3 Months	(12.182)	-
Less: Accruals	(16.550)	(8.534)
Cash and Cash Equivalents	**5.750.384**	**3.641.584**

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

A portion of foreign bank accounts amounting to TL 47.518 (December 31, 2015- TL 39.803) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment

None.

FİNANS BANK ANONİM ŞİRKETİ

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

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

SECTION FIVE

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

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

Current period transactions of Parent's Bank related to its Direct and Indirect Partners include QNB group since the share transfer of the Bank to QNB has been completed on June 15, 2016.

1.1. As of December 31, 2016, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 268.869 (December 31, 2015 - TL 524.810) deposit, TL 265.304 (December 31, 2015 – TL 155.953) cash loan and TL 7.482 (December 31, 2015 - TL 33.930) non-cash loans respectively.

Current Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	155.953	11.315	-	21.651	-	964
Balance at the End of the Period	264.052	5.896	-	-	1.252	1.586
Interest and Commission Income	11.808	152	-	3	23	19

Prior Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	157.557	19.742	1.716	34.288	-	702
Balance at the End of the Period	155.953	11.315	-	21.651	-	964
Interest and Commission Income	6.377	158	-	21	5	13

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the loans given to the Bank's indirect subsidiaries.

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

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	265.905	380.996	-	17.036	258.905	57.639
Balance at the End of the Period	89.151	265.905	-	-	179.718	258.905
Interest on deposits(***)	10.639	23.750	-	-	15.743	2.997

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the deposits taken to the Bank's indirect subsidiaries.

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

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

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	140.998	168.641	134.496	74.646	102.824
End of the Period	104.180	-	-	168.641	-	74.646
Total Income/Loss(***)	2.120	(1.063)	-	(4.077)	-	1.693
Transactions for Hedging Purposes						
Beginning of the Period						
End of the Period	-	-	-	-	-	-
Total Income/Loss(***)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the derivative transactions between the Bank's indirect subsidiaries.

1.4. As of December 31, 2016, the total amount of remuneration and bonuses paid to top management of the Bank is TL 63.247 (December 31, 2015 – TL 52.553).

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

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

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

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

As of December 31, 2016, cash loans of the risk group represented 0,4% of the Bank's total cash loans (December 31, 2015 – 0,3%), the deposits represented 0,5% of the Bank's total deposits (December 31, 2015-1,1%) and derivative transactions represented 0% of the Bank's total derivative transactions (December 31, 2015 – 0,2%).

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

The Bank enters into finance lease agreements with Finans Finansal Kiralama A.Ş. As of December 31, 2016, the Bank has net finance lease payables to Finans Finansal Kiralama A.Ş. amounting to TL 940 (December 31, 2015 - TL 1.904) relating with finance lease agreements.

The Bank has signed an agreement with 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 Bank participated 33,33% shareholding, provides cash transfer services to the Bank.

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12. The Bank provides agency services to Cigna Finans Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49% shares held by the Bank.

FİNANS BANK ANONİM ŞİRKETİ

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

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

SECTION FIVE

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES

1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees			
Domestic Branch	629	12.451			
			Country		
Foreign Representation	-	-	-		
				Total Assets	Capital
Foreign Branch	1	8	1- Bahreyn	12.051.261	-
Off-shore Banking and Region Branches	-	-	-	-	-

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

FİNANS BANK ANONİM ŞİRKETİ

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

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

SECTION SIX
OTHER EXPLANATIONS AND DISCLOSURES

I. Other explanations related to the Bank's operations

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

The Bank made a bond issuances at a nominal amount of TL 63.630 having 10,65% interest rate with 91 days and at a nominal amount of TL 39.370 having 11,10% interest rate with 171 days maturity on January 13, 2017 and at a nominal amount of TL 53.658 having 11,00% interest rate with 92 days maturity on January 17, 2017 and at a nominal amount TL 411.950 having 11,50% interest with 91 days maturity on January 20, 2017 and at a nominal amount TL 108.800 having 11,50% interest with 101 days maturity and at a nominal amount TL 66.758 having 11,10% interest with 92 days maturity on January 24, 2017 and at a nominal amount TL 160.170 having 11,55% interest with 103 days maturity on February 2, 2017.

The Bank made a Eurobond issuance at a nominal amount of USD 3.000.000 having 2,30% interest rate with 90 days maturity on January 11, 2017 and at a nominal amount of USD 24.000.000 having 2,45% interest rate with 90 days maturity on January 19, 2017.

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

SECTION SEVEN

INDEPENDENT AUDIT REPORT

I. Explanations on the Independent Audit Report

The unconsolidated financial statements for the period ended December 31, 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's report dated February 3, 2017 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2015 – None).

Independent Auditor's Audit Report, Consolidated Financial Statements and Notes for the Period Ended December 31, 2016

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

Güney Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş. (Ernst & Young)
Eski Büyükdere Caddesi
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul, Türkiye

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Independent auditor report

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

Report on the Consolidated Financial Statements

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

Responsibility of the Bank's Board of Directors for the consolidated financial statements

Bank management is responsible for the preparation and fair presentation of the consolidated financial statement in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and BRSA Accounting and Reporting Legislation which includes the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Independent Auditor's responsibility

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

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the independent auditor's professional judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the consolidated financial statements.

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

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

Basis of Qualified Opinion

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

Qualified Opinion

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

Reports on arising from other regulatory requirements:

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1 – December 31, 2016 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English:

As explained in detail in Note I.1. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Damla Harman, SMMM
Partner

February 3, 2017
İstanbul, Türkiye

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

FİNANS BANK ANONİM ŞİRKETİ

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

The Parent Bank's;

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

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

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

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

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

Entities Under Common Control (Joint Ventures)
1. Cigna Finans Emeklilik ve Hayat Anonim Şirketi

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

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

Ömer A. Aras
Chairman of
the Board of Directors

Member of the Board of
Directors and Chairman of the
Audit Committee

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

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

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

Temel Güzeloğlu
General Manager
and Member of the
Board of Directors

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

Ercan Sakarya
Director of Financial,
Statutory Reporting and
Treasury Control

Information related to the responsible personnel to whom the questions about the financial 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

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

INDEX

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

FİNANS BANK ANONİM ŞİRKETİ

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

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

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

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

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

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

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

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

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

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

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Head of Audit Committee	April 16, 2013	Masters
Ramzi Talat A.Mari (*)	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 Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Abdulla Mubarak N.Alkhalifa	Board Member	June 23, 2016	Graduate
Associate Prof. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ali Rashid A.S.Al-Mohannadi (***)	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 Erzengin	Head of the Department of Internal Control and Compliance	September 12,2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6,2013	Graduate
Ersin Emir	Head of Internal Audit	February 18,2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16,2011	Masters

(*) Ramzi Talat A. Mari has been assigned in Extraordinary General Assembly dated June 16, 2016 and his assignment process has been completed on July 18, 2016.
(**) As of August 25, 2016, Durmuş Ali Kuzu has been appointed as a member of a Board of Directors, and as of September 28, 2016, he is appointed as a member of audit committee.
(***) Ali Rashid A.S Al-Mohannadi has been assigned in Extraordinary General Assembly dated June 16, 2016 and his assignment process has been completed on July 29, 2016.
(****) As of February 12, 2016, Emel Yılmaz Özbay has been appointed as Executive Vice President responsible of Legal Department.
(*****) As of June 14, 2016 Engin Turhan has been assigned as Deputy General Manager responsible for Commercial Banking and Project Finance.

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

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

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

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

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

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

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.

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

FİNANS BANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2016

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

SECTION TWO

CONSOWLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheet (Statement of Financial Position)

II. Consolidated Statement of Off-Balance Sheet Commitments and Contingencies

III. Consolidated Income Statement (Statement of Income / Loss)

IV. Consolidated Statement of Profit and Loss Accounted for Under Equity (Statement of Other Comprehensive Income and Loss)

V. Consolidated Statement of Changes in Shareholders' Equity

VI. Consolidated Cash Flows Statement

VII. Profit Appropriation Statement

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

FİNANS BANK ANONİM ŞİRKETİ

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

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

			Audited 31.12.2016			Audited 31.12.2015		
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	**CASH AND BALANCES WITH THE CENTRAL BANK**	**(1)**	**1.929.861**	**11.174.023**	**13.103.884**	**2.088.093**	**7.908.952**	**9.997.045**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)**	**(2)**	**2.637.196**	**210.497**	**2.847.693**	**2.115.453**	**253.235**	**2.368.688**
2.1	Financial assets held for trading		2.614.225	210.497	2.824.722	2.068.099	253.235	2.321.334
2.1.1	Public sector debt securities		22.528	11.486	34.014	67.569	4.853	72.422
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Assets on trading derivatives		2.574.900	199.011	2.773.911	1.988.998	248.382	2.237.380
2.1.4	Other securities		16.797	-	16.797	11.532	-	11.532
2.2	Financial assets at fair value through profit and loss		22.971	-	22.971	47.354	-	47.354
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		22.971	-	22.971	47.354	-	47.354
2.2.4	Other securities		-	-	-	-	-	-
III.	**BANKS**	**(3)**	**48.150**	**263.916**	**312.066**	**10.345**	**307.794**	**318.139**
IV.	**MONEY MARKET PLACEMENTS**		**1.667.618**	**-**	**1.667.618**	**87.711**	**-**	**87.711**
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		367.013	-	367.013	87.711	-	87.711
4.3	Receivables from reverse repurchase agreements	(4)	1.300.605	-	1.300.605	-	-	-
V.	**INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)**	**(5)**	**4.152.070**	**2.880.043**	**7.032.113**	**3.383.136**	**1.912.514**	**5.295.650**
5.1	Equity securities		4.092	44.961	49.053	4.098	-	4.098
5.2	Public sector debt securities		4.147.680	2.796.651	6.944.331	3.378.323	1.880.669	5.258.992
5.3	Other securities		298	38.431	38.729	715	31.845	32.560
VI.	**LOANS AND RECEIVABLES**	**(6)**	**49.855.478**	**12.758.615**	**62.614.093**	**47.152.143**	**9.910.052**	**57.062.195**
6.1	Loans and receivables		49.233.093	12.758.615	61.991.708	46.399.263	9.910.052	56.309.315
6.1.1	Loans to risk group of the Bank		7	1.245	1.252	-	-	-
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		49.233.086	12.757.370	61.990.456	46.399.263	9.910.052	56.309.315
6.2	Non-performing loans		3.874.148	-	3.874.148	3.814.659	-	3.814.659
6.3	Specific provisions (-)		3.251.763	-	3.251.763	3.061.779	-	3.061.779
VII.	**FACTORING RECEIVABLES**	**(7)**	**698.479**	**52.491**	**750.970**	**544.992**	**26.734**	**571.726**
VIII.	**INVESTMENT SECURITIES HELD TO MATURITY (Net)**	**(8)**	**3.383.952**	**2.516.555**	**5.900.507**	**3.009.964**	**863.950**	**3.873.914**
8.1	Public sector debt securities		3.383.952	1.915.594	5.299.546	3.009.964	110.652	3.120.616
8.2	Other securities		-	600.961	600.961	-	753.298	753.298
IX.	**INVESTMENT IN ASSOCIATES (Net)**	**(9)**	**3.766**	**-**	**3.766**	**3.766**	**-**	**3.766**
9.1	Equity method associates		-	-	-	-	-	-
9.2	Unconsolidated		3.766	-	3.766	3.766	-	3.766
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766	3.766	-	3.766
X.	**INVESTMENT IN SUBSIDIARIES (Net)**	**(10)**	**18.054**	**-**	**18.054**	**18.054**	**-**	**18.054**
10.1	Unconsolidated financial investments		-	-	-	-	-	-
10.2	Unconsolidated non-financial investments		18.054	-	18.054	18.054	-	18.054
XI.	**ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)**	**(11)**	**94.271**	**-**	**94.271**	**106.027**	**-**	**106.027**
11.1	Equity method entities under common control		91.471	-	91.471	103.227	-	103.227
11.2	Unconsolidated		2.800	-	2.800	2.800	-	2.800
11.2.1	Financial investments		-	-	-	-	-	-
11.2.2	Non-financial Investments		2.800	-	2.800	2.800	-	2.800
XII.	**LEASE RECEIVABLES (Net)**	**(12)**	**1.107.500**	**1.578.777**	**2.686.277**	**823.804**	**1.113.148**	**1.936.952**
12.1	Financial lease receivables		1.408.190	1.742.271	3.150.461	1.016.018	1.234.822	2.250.840
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		300.690	163.494	464.184	192.214	121.674	313.888
XIII.	**DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES**	**(13)**	**3.409.777**	**33.561**	**3.443.338**	**3.219.905**	**19.104**	**3.239.009**
13.1	Fair value hedge		2.346.595	18.509	2.365.104	2.292.114	18.069	2.310.183
13.2	Cash flow hedge		1.063.182	15.052	1.078.234	927.791	1.035	928.826
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	**(14)**	**1.838.260**	**48**	**1.838.308**	**1.581.501**	**8**	**1.581.509**
XV.	**INTANGIBLE ASSETS (Net)**	**(15)**	**288.218**	**-**	**288.218**	**270.040**	**-**	**270.040**
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		288.218	-	288.218	270.040	-	270.040
XVI.	**INVESTMENT PROPERTIES (Net)**	**(16)**	**-**	**-**	**-**	**-**	**-**	**-**
XVII.	**TAX ASSETS**	**(17)**	**71.704**	**-**	**71.704**	**107.789**	**-**	**107.789**
17.1	Current tax assets		4.737	-	4.737	6.846	-	6.846
17.2	Deferred tax assets		66.967	-	66.967	100.943	-	100.943
XVIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**(18)**	**-**	**-**	**-**	**-**	**-**	**-**
18.1	Held for sale		-	-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	**(19)**	**1.248.446**	**404.508**	**1.652.954**	**1.081.061**	**129.791**	**1.210.852**
	TOTAL ASSETS		**72.452.800**	**31.873.034**	**104.325.834**	**65.603.784**	**22.445.282**	**88.049.066**

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

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FİNANS BANK ANONİM ŞİRKETİ

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

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

			Audited 31.12.2016			Audited 31.12.2015		
		Section 5 Part II	TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**(1)**	**31.497.058**	**22.368.191**	**53.865.249**	**28.787.585**	**19.523.692**	**48.311.277**
1.1	Deposits from risk group of the Bank		158.972	36.446	195.418	217.793	52.457	270.250
1.2	Other		31.338.086	22.331.745	53.669.831	28.569.792	19.471.235	48.041.027
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**(2)**	**2.387.019**	**214.697**	**2.601.716**	**1.882.909**	**273.555**	**2.156.464**
III.	**FUNDS BORROWED**	**(3)**	**545.452**	**10.618.093**	**11.163.545**	**501.930**	**5.564.127**	**6.066.057**
IV.	**MONEY MARKET BORROWINGS**		**3.100.124**	**3.519.709**	**6.619.833**	**2.951.341**	**1.857.920**	**4.809.261**
4.1	Interbank money markets takings		1.500.708	-	1.500.708	-	-	-
4.2	Istanbul Stock Exchange money markets takings		97.382	-	97.382	147.173	-	147.173
4.3	Funds provided under repurchase agreements	(4)	1.502.034	3.519.709	5.021.743	2.804.168	1.857.920	4.662.088
V.	**SECURITIES ISSUED (Net)**	**(5)**	**1.861.266**	**4.470.311**	**6.331.577**	**841.151**	**4.985.836**	**5.826.987**
5.1	Bills		1.749.202	53.683	1.802.885	770.076	-	770.076
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		112.064	4.416.628	4.528.692	71.075	4.985.836	5.056.911
VI.	**FUNDS**		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**SUNDRY CREDITORS**		**2.243.338**	**4.477.548**	**6.720.886**	**2.061.023**	**3.462.407**	**5.523.430**
VIII.	**OTHER LIABILITIES**	**(6)**	**875.297**	**188.581**	**1.063.878**	**1.003.771**	**165.549**	**1.169.320**
IX.	**FACTORING PAYABLES**		-	-	-	-	-	-
X.	**LEASE PAYABLES (Net)**	**(7)**	-	-	-	-	-	-
10.1	Financial lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial lease expenses (-)		-	-	-	-	-	-
XI.	**DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES**	**(8)**	**196.239**	**230.489**	**426.728**	**60.229**	**223.215**	**283.444**
11.1	Fair value hedge		-	190.559	190.559	-	178.808	178.808
11.2	Cash flow hedge		196.239	39.930	236.169	60.229	44.407	104.636
11.3	Hedge of net investments in foreign subsidiaries		-	-	-	-	-	-
XII.	**PROVISIONS**	**(9)**	**1.794.752**	-	**1.794.752**	**1.777.641**	-	**1.777.641**
12.1	General provisions		1.288.412	-	1.288.412	1.190.403	-	1.190.403
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		295.428	-	295.428	250.505	-	250.505
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		210.912	-	210.912	336.733	-	336.733
XIII.	**TAX LIABILITY**	**(10)**	**198.098**	-	**198.098**	**57.581**	-	**57.581**
13.1	Current tax liability		198.098	-	198.098	57.581	-	57.581
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	**PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)**	**(11)**	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	**(12)**	-	**3.235.793**	**3.235.793**	-	**2.662.119**	**2.662.119**
XVI.	**SHAREHOLDERS' EQUITY**		**10.677.148**	**(373.369)**	**10.303.779**	**9.583.782**	**(178.297)**	**9.405.485**
16.1	Paid-in capital	(13)	3.150.000	-	3.150.000	3.000.000	-	3.000.000
16.2	Capital reserves		(44.173)	(373.369)	(417.542)	(29.747)	(178.297)	(208.044)
16.2.1	Share premium	(14)	714	-	714	714	-	714
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Securities value increase fund	(15)	(40.675)	(379.478)	(420.153)	(65.962)	(178.297)	(244.259)
16.2.4	Revaluation fund on tangible assets		-	-	-	-	-	-
16.2.5	Revaluation fund on intangible assets		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		-	-	-	-	-	-
16.2.8	Hedging funds (effective portion)		39.442	6.109	45.551	81.175	-	81.175
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(43.654)	-	(43.654)	(45.674)	-	(45.674)
16.3	Profit reserves		6.329.182	-	6.329.182	5.621.561	-	5.621.561
16.3.1	Legal reserves		487.422	-	487.422	451.979	-	451.979
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		5.841.760	-	5.841.760	5.169.582	-	5.169.582
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	**Profit or loss**		1.236.405	-	1.236.405	802.739	-	802.739
16.4.1	Prior years' income/ (losses)		-	-	-	138.389	-	138.389
16.4.2	Current period income/ (loss)		1.236.405	-	1.236.405	664.350	-	664.350
16.5	Minority shares		5.734	-	5.734	189.229	-	189.229
	TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**55.375.791**	**48.950.043**	**104.325.834**	**49.508.943**	**38.540.123**	**88.049.066**

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

FİNANS BANK ANONİM ŞİRKETİ

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2016 (STATEMENT OF INCOME/LOSS)

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

			Audited 31.12.2016			Audited 31.12.2015		
		Section 5 Part III	TL	FC	TOTAL	TL	FC	TOTAL
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**107.898.237**	**100.663.461**	**208.561.698**	**101.092.734**	**99.496.711**	**200.589.445**
I.	**GUARANTEES**	**(1),(2),(3),(4)**	**7.171.006**	**6.013.004**	**13.184.010**	**6.009.442**	**4.466.384**	**10.475.826**
1.1.	Letters of guarantee		7.158.585	3.648.130	10.806.715	5.981.355	3.047.590	9.028.945
1.1.1.	Guarantees subject to State Tender Law		310.573	36.451	347.024	294.530	30.894	325.424
1.1.2.	Guarantees given for foreign trade operations		3.527.000	3.611.679	7.138.679	3.171.512	3.016.696	6.188.208
1.1.3.	Other letters of guarantee		3.321.012	-	3.321.012	2.515.313	-	2.515.313
1.2.	Bank loans		7.421	1.248.056	1.255.477	23.085	772.477	795.562
1.2.1.	Import letter of acceptance		7.421	1.248.056	1.255.477	23.085	772.477	795.562
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		5.000	1.116.818	1.121.818	5.002	646.317	651.319
1.3.1.	Documentary letters of credit		5.000	1.084.124	1.089.124	5.002	628.377	633.379
1.3.2.	Other letters of credit		-	32.694	32.694	-	17.940	17.940
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**(1)**	**39.756.441**	**2.310.737**	**42.067.178**	**35.030.262**	**727.276**	**35.757.538**
2.1.	Irrevocable commitments		39.371.199	1.954.418	41.325.617	33.929.719	663.627	34.593.346
2.1.1.	Forward asset purchase commitments		355.574	860.966	1.216.540	190.701	612.957	803.658
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		30.000	-	30.000	-	-	-
2.1.4.	Loan granting commitments		19.364.771	353	19.365.124	14.364.712	291	14.365.003
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2.707.388	-	2.707.388	2.558.758	-	2.558.758
2.1.8.	Tax and fund liabilities from export commitments		10.267	-	10.267	8.479	-	8.479
2.1.9.	Commitments for credit card expenditure limits		16.396.189	-	16.396.189	16.255.578	-	16.255.578
2.1.10.	Commitments for promotions related with credit cards and banking activities		19.721	-	19.721	34.278	-	34.278
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		487.289	1.093.099	1.580.388	517.213	50.379	567.592
2.2.	Revocable commitments		385.242	356.319	741.561	1.100.543	63.649	1.164.192
2.2.1.	Revocable loan granting commitments		240.800	-	240.800	1.100.543	63.649	1.164.192
2.2.2.	Other revocable commitments		144.442	356.319	500.761	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(5), (6)**	**60.970.790**	**92.339.720**	**153.310.510**	**60.053.030**	**94.303.051**	**154.356.081**
3.1	Derivative financial instruments for hedging purposes		16.730.698	21.068.526	37.799.224	14.891.873	21.742.737	36.634.610
3.1.1	Fair value hedge		3.456.411	11.638.573	15.094.984	4.300.297	13.464.154	17.764.451
3.1.2	Cash flow hedge		13.274.287	9.429.953	22.704.240	10.591.576	8.278.583	18.870.159
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		44.240.092	71.271.194	115.511.286	45.161.157	72.560.314	117.721.471
3.2.1	Forward foreign currency buy/sell transactions		4.118.082	6.261.366	10.379.448	3.972.761	4.554.462	8.527.223
3.2.1.1	Forward foreign currency transactions-buy		2.683.949	2.467.023	5.150.972	2.602.412	1.664.211	4.266.623
3.2.1.2	Forward foreign currency transactions-sell		1.434.133	3.794.343	5.228.476	1.370.349	2.890.251	4.260.600
3.2.2	Swap transactions related to foreign currency and interest rates		35.619.409	58.965.219	94.584.628	36.000.372	58.282.028	94.282.400
3.2.2.1	Foreign currency swap-buy		15.510.246	23.802.355	39.312.601	15.893.629	25.523.970	41.417.599
3.2.2.2	Foreign currency swap-sell		18.569.163	20.441.802	39.010.965	19.805.147	21.605.030	41.410.177
3.2.2.3	Interest rate swaps-buy		770.000	7.360.531	8.130.531	150.798	5.576.514	5.727.312
3.2.2.4	Interest rate swaps-sell		770.000	7.360.531	8.130.531	150.798	5.576.514	5.727.312
3.2.3	Foreign currency, interest rate and securities options		4.502.601	5.087.199	9.589.800	5.187.330	8.443.962	13.631.292
3.2.3.1	Foreign currency options-buy		2.355.495	2.402.267	4.757.762	2.727.400	4.088.589	6.815.989
3.2.3.2	Foreign currency options-sell		2.147.106	2.684.932	4.832.038	2.459.930	4.355.373	6.815.303
3.2.3.3	Interest rate options-buy		-	-	-	-	-	-
3.2.3.4	Interest rate options-sell		-	-	-	-	-	-
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		-	74.460	74.460	694	32.026	32.720
3.2.4.1	Foreign currency futures-buy		-	37.230	37.230	347	16.013	16.360
3.2.4.2	Foreign currency futures-sell		-	37.230	37.230	347	16.013	16.360
3.2.5	Interest rate futures		-	-	-	-	535.474	535.474
3.2.5.1	Interest rate futures-buy		-	-	-	-	267.737	267.737
3.2.5.2	Interest rate futures-sell		-	-	-	-	267.737	267.737
3.2.6	Other		-	882.950	882.950	-	712.362	712.362
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**552.759.553**	**90.204.038**	**642.963.591**	**470.326.939**	**83.259.316**	**553.586.255**
IV.	**ITEMS HELD IN CUSTODY**		**43.231.414**	**3.728.678**	**46.960.092**	**21.826.403**	**2.674.784**	**24.501.187**
4.1.	Assets under management		4.935.464	2.218	4.937.682	5.435.302	195	5.435.497
4.2.	Investment securities held in custody		18.642.053	1.348.273	19.990.326	196.455	815.520	1.011.975
4.3.	Checks received for collection		3.452.693	463.821	3.916.514	2.640.870	375.448	3.016.318
4.4.	Commercial notes received for collection		938.785	213.474	1.152.259	781.303	158.196	939.499
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		15.262.419	1.700.892	16.963.311	12.772.473	1.325.425	14.097.898
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**319.890.014**	**47.175.906**	**367.065.920**	**274.029.387**	**44.825.851**	**318.855.238**
5.1.	Marketable securities		819.315	3.186.362	4.005.677	889.715	3.510.280	4.399.995
5.2.	Guarantee notes		201.294	76.487	277.781	202.830	56.171	259.001
5.3.	Commodity		61.743	-	61.743	62.871	-	62.871
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		78.296.557	25.750.041	104.046.598	68.856.288	23.649.829	92.506.117
5.6.	Other pledged items		240.511.105	18.163.016	258.674.121	204.017.683	17.609.571	221.627.254
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**189.638.125**	**39.299.454**	**228.937.579**	**174.471.149**	**35.758.681**	**210.229.830**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**660.657.790**	**190.867.499**	**851.525.289**	**571.419.673**	**182.756.027**	**754.175.700**

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

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

FİNANS BANK ANONİM ŞİRKETİ

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2016 (STATEMENT OF INCOME/LOSS)

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

III. CONSOLIDATED INCOME STATEMENT

		Section 5 Part IV.	Audited 01.01 - 31.12.2016	Audited 01.01 - 31.12.2015
I.	**INTEREST INCOME**	**(1)**	**9.034.828**	**7.835.586**
1.1	Interest on loans		7.722.630	6.683.487
1.2	Interest received from reserve deposits		52.930	22.770
1.3	Interest received from banks		11.429	3.734
1.4	Interest received from money market placements		75.509	129.650
1.5	Interest received from marketable securities portfolio		843.682	750.612
1.5.1	Held-for-trading financial assets		4.442	3.878
1.5.2	Financial assets at fair value through profit and loss		4.450	9.170
1.5.3	Available-for-sale financial assets		483.872	421.037
1.5.4	Investments held-to-maturity		350.918	316.527
1.6	Finance lease income		217.169	168.211
1.7	Other interest income		111.479	77.122
II.	**INTEREST EXPENSE**	**(2)**	**4.356.208**	**3.752.831**
2.1	Interest on deposits		3.284.048	2.819.109
2.2	Interest on funds borrowed		423.734	338.974
2.3	Interest on money market borrowings		293.348	212.407
2.4	Interest on securities issued		341.639	373.804
2.5	Other interest expense		13.439	8.537
III.	**NET INTEREST INCOME (I - II)**		**4.678.620**	**4.082.755**
IV.	**NET FEES AND COMMISSIONS INCOME**		**1.444.877**	**1.387.238**
4.1	Fees and commissions received		1.767.919	1.653.836
4.1.1	Non-cash loans		69.602	58.996
4.1.2	Other		1.698.317	1.594.840
4.2	Fees and commissions paid		323.042	266.598
4.2.1	Non-cash loans		1.702	1.488
4.2.2	Other		321.340	265.110
V.	**DIVIDEND INCOME**	**(3)**	**170**	**58**
VI.	**NET TRADING INCOME**	**(4)**	**(661.533)**	**(727.321)**
6.1	Securities trading gains/ (losses)		17.121	27.125
6.2	Gains / (losses)Financial derivative transactions		(713.295)	(677.491)
6.3	Foreign exchange gains/ (losses)		34.641	(76.955)
VII.	**OTHER OPERATING INCOME**	**(5)**	**411.137**	**272.748**
VIII.	**NET OPERATING INCOME (III+IV+V+VI+VII)**		**5.873.271**	**5.015.478**
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	**(6)**	**1.390.423**	**1.207.444**
X.	OTHER OPERATING EXPENSES (-)	**(7)**	**2.938.079**	**2.874.440**
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		**1.544.769**	**933.594**
XII.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		**-**	**-**
XIII.	GAIN / (LOSS) ON EQUITY METHOD		**(11.755)**	**(49.538)**
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		**-**	**-**
XV.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	**(8)**	**1.533.014**	**884.056**
XVI.	TAX CHARGE FOR CONTINUED OPERATIONS (±)	**(9)**	**(294.714)**	**(203.642)**
16.1	Current income tax charge		(208.293)	(225.182)
16.2	Deferred tax charge / benefit		(86.421)	21.540
XVII.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	**(10)**	**1.238.300**	**680.414**
XVIII.	INCOME ON DISCONTINUED OPERATIONS		**-**	**-**
18.1	Income on assets held for sale		-	-
18.2	Income on sale of associates, subsidiaries and entities under common control		-	-
18.3	Income on other discontinued operations		-	-
XIX.	**LOSS FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
19.1	Loss from assets held for sale		-	-
19.2	Loss on sale of associates, subsidiaries and entities under common control		-	-
19.3	Loss from other discontinued operations		-	-
XX.	**PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)**	**(8)**	**-**	**-**
XXI.	**TAX CHARGE FOR DISCONTINUED OPERATIONS (±)**	**(9)**	**-**	**-**
21.1	Current income tax charge		-	-
21.2	Deferred tax charge / benefit		-	-
XXII.	**NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)**	**(10)**	**-**	**-**
XXIII.	**NET PROFIT/LOSS (XVII+XXII)**	**(11)**	**1.238.300**	**680.414**
23.1	Group's profit/loss		1.236.405	664.350
23.2	Minority shares		1.895	16.064
	Earnings per share		0,03925	0,02109

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

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

FİNANS BANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2016 (STATEMENT OF OTHER COMPREHENSIVE INCOME/LOSS)

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

IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

		Audited 01.01 – 31.12.2016	Audited 01.01 – 31.12.2015
I.	**ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS**	**(219.938)**	**(242.460)**
II.	**TANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**	**-**
III.	**INTANGIBLE ASSETS REVALUATION DIFFERENCES**	**-**	**-**
IV.	**FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS**	**-**	**-**
V.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)**	**(44.530)**	**152.068**
VI.	**PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)**	**-**	**-**
VII.	**THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES**	**-**	**-**
VIII.	**OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS**	**2.525**	**4.653**
IX.	**DEFERRED TAX OF VALUATION DIFFERENCES**	**52.445**	**18.712**
X.	**TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)**	**(209.498)**	**(67.027)**
XI.	**PROFIT/LOSS**	**1.238.300**	**680.414**
11.1	Change in fair value of marketable securities (Transfer to Profit/Loss)	15.452	28.910
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	18.624	(34.661)
11.3	Transfer of hedge of net investments in foreign operations recycled to Income Statement	-	-
11.4	Other	1.204.224	686.165
XII.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)**	**1.028.802**	**613.387**

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 DECEMBER 31, 2016

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

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

FİNANS BANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2016

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Attributable to the Parent Shareholders	Non-controlling interest	Total Shareholders' Equity
	Current period – 01.01.-31.12.2016																			
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
	Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences	(1)	-	-	-	-	-	-	-	-	-	-	(175.894)	-	-	-	-	(175.894)	-	(175.894)
IV.	Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)	-	(35.624)
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(35.624)	-	(35.624)	-	(35.624)
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	(5)	150.000						(150.000)	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		150.000	-		-	-	-	(150.000)	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium																			
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	54.882	2.020	-	-	-	-	-	-	-	56.902	(185.390 (*))	(128.488)
XVII.	Period net income/(loss)		-	-	-	-	-	-	-	-	1.236.405	-	-	-	-	-	-	1.236.405	1.895	1.238.300
XVIII.	Profit distribution	(3)	-	-	-	-	35.443	-	767.296	-	-	(802.739)	-	-	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	35.443	-	767.296	-	-	(802.739)	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing balance (I+II+III+….. +XVI+XVII+XVIII)		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

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

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

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

FİNANS BANK ANONİM ŞİRKETİ

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED DECEMBER 31, 2016

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

VI. CONSOLIDATED CASH FLOW STATEMENT

		Section 5 Part VI.	Audited 01.01 – 31.12.2016	Audited 01.01 – 31.12.2015
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities (+)**		**(2.711.324)**	**1.066.407**
1.1.1	Interest received (+)		8.718.139	7.349.408
1.1.2	Interest paid (-)		(4.325.840)	(3.710.277)
1.1.3	Dividend received (+)		170	58
1.1.4	Fees and commissions received (+)		1.755.610	1.639.166
1.1.5	Other income (+)		377.089	31.396
1.1.6	Collections from previously written off loans (+)		925.679	690.597
1.1.7	Payments to personnel and service suppliers (-)		(2.155.486)	(1.984.975)
1.1.8	Taxes paid (-)		(146.235)	(532.145)
1.1.9	Other (+/-)	(1)	(7.860.450)	(2.416.821)
1.2	**Changes in operating assets and liabilities**		**8.686.556**	**646.569**
1.2.1	Net (increase) decrease in financial assets held for trading (+/-)		32.174	(35.165)
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		90.535	1.624
1.2.3	Net (increase) decrease in due from banks (+/-)		(2.509.676)	(439.265)
1.2.4	Net (increase) decrease in loans (+/-)		(4.161.234)	(7.498.554)
1.2.5	Net (increase) decrease in other assets (+/-)	(1)	(1.297.610)	(606.699)
1.2.6	Net increase (decrease) in bank deposits (+/-)		465.418	201.296
1.2.7	Net increase (decrease) in other deposits (+/-)		6.872.366	7.246.301
1.2.8	Net increase (decrease) in funds borrowed (+/-)		6.416.136	(705.892)
1.2.9	Net increase (decrease) in matured payables (+/-)		-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)	(1)	2.778.447	2.482.923
I.	**Net cash provided from / (used in) banking operations (+/-)**		**5.975.232**	**1.712.976**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities (+/-)**		**(2.987.599)**	**303.867**
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (-)		-	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	-
2.3	Fixed assets purchases (-)		(179.507)	(239.971)
2.4	Fixed assets sales (+)		21.386	303.582
2.5	Cash paid for purchase of financial assets available for sale (-)		(2.337.471)	(2.163.221)
2.6	Cash obtained from sale of financial assets available for sale (+)		1.113.305	2.310.575
2.7	Cash paid for purchase of investment securities (-)		(1.478.607)	(290.680)
2.8	Cash obtained from sale of investment securities (+)		-	512.035
2.9	Other (+/-)	(1)	(126.705)	(128.453)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities (+/-)**		**(873.748)**	**(1.279.312)**
3.1	Cash obtained from funds borrowed and securities issued (+)		2.407.322	3.888.096
3.2	Cash used for repayment of funds borrowed and securities issued (-)		(3.032.992)	(5.166.902)
3.3	Capital increase (+)		-	-
3.4	Dividends paid (-)		-	(506)
3.5	Payments for finance leases (-)		-	-
3.6	Other (+/-)		(248.078)	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents (+/-)**		**64.523**	**24.827**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**2.178.408**	**762.358**
VI.	**Cash and cash equivalents at the beginning of the period (+)**	(2)	**3.731.536**	**2.969.178**
VII.	**Cash and cash equivalents at end of the period (V+VI)**	(3)	**5.909.944**	**3.731.536**

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 PERIOD ENDED DECEMBER 31, 2016

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

VII. DISTRIBUTION OF INCOME (*)

		Audited Current Year 31.12.2016(**)	Audited Prior Period 31.12.2015
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	1.483.821	902.849
1.2	TAXES AND DUTIES PAYABLE	280.411	197.077
1.2.1	CORPORATE TAX (INCOME TAX)	182.485	209.735
1.2.2	INCOME WITHHOLDING TAX	-	-
1.2.3	OTHER TAXES AND DUTIES	97.926	(12.658)
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**1.203.410**	**705.772**
1.3	PRIOR YEAR LOSSES(-)	-	-
1.4	FIRST LEGAL RESERVES(-)	-	35.289
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**1.203.410**	**670.483**
1.6	FIRST DIVIDEND TO SHAREHOLDERS(-)	-	150.000
1.6.1	TO OWNERS OF ORDINARY SHARES	-	150.000(***)
1.6.2	TO OWNERS OF PRIVILEGED SHARES	-	-
1.6.3	TO OWENERS OF PREFERRED SHARES	-	-
1.6.4	TO PROFIT SHARING BONDS	-	-
1.6.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS(-)	-	-
1.9.1	TO OWNERS OF ORDINARY SHARES	-	-
1.9.2	TO OWNERS OF PRIVILEGED SHARES	-	-
1.9.3	TO OWENERS OF PREFERRED SHARES	-	-
1.9.4	TO PROFIT SHARING BONDS	-	-
1.9.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES(-)	-	-
1.12	EXTRAORDINARY RESERVES	-	520.483
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS(-)	-	-
2.3.1	TO OWNERS OF ORDINARY SHARES	-	-
2.3.2	TO OWNERS OF PRIVILEGED SHARES	-	-
2.3.3	TO OWENERS OF PREFERRED SHARES	-	-
2.3.4	TO PROFIT SHARING BONDS	-	-
2.3.5	TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
2.4	DIVIDENDS TO PERSONNEL(-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS(-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	0,03820	0,02353
3.2	TO OWNERS OF ORDINARY SHARES(%)	%3,82	%2,36
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES(%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.
(**) Decision regarding the profit distribution for the 2016 will be taken at the General Meeting.
(***) Distributed to the shareholders as bonus shares.

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

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

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

The Turkish Banking Law No: 5411 is published in the Official Gazette No: 25983 dated November 1, 2005. The Parent Bank and its financial subsidiaries ("The Group") prepared the accompanying financial statements and the related disclosures and footnotes, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("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 June 28, 2012, and amendments to this Communiqué.

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

Explanation for Convenience Translation to English

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

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, the requirements of TAS and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2015. The amendments of TAS and TFRS, effective as of January 1, 2016, have no material impact on the Group accounting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXVI below.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value, which are financial assets designated at fair value through profit or loss, available for sale financial assets, trading derivative financial assets, and hedging derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Group management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

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

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

1. Strategy for the use of financial instruments

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

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

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

The strategies for hedging exchange rate risk resulting from the Group foreign currency available-for-sale debt securities are explained in foreign currency risk section and the applications regarding the hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

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

2. Foreign currency transactions

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

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2016 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank’s foreign currency exchange rates for the related period ends are as follows:

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

	December 31, 2016	December 31, 2015
US Dollar	3,5318 TL	2,9076 TL
Euro	3,6939 TL	3,1776 TL

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

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

2.3. Foreign Associates

None.

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

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

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

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

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

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

1. Subsidiaries

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

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

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

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

2. Associates and entities under common control

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

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

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

IV. Explanations on Forwards, Option Contracts and Derivative Instruments

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

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

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", derivative instruments are categorized as "hedging purpose" or "trading purpose" transactions. Derivatives are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Assets on Trading Derivatives", "Liabilities on Trading Derivatives" or "Assets on Hedging Purpose Derivatives" and "Liabilities on Hedging Purpose Derivatives" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative instruments presented on the balance sheet, represent the fair value differences based on the valuation.

Fair values of forward foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data. Unrealized gains and losses are reflected in the income statement in the current period.

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

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

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

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

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swaps to hedge its TL and FC customer deposits with an average maturity of 1 month against interest rate fluctuations. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

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

In fair value hedge accounting:

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

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

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

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

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

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

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

V. Explanations on Interest Income and Expenses

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Assets

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

1. Financial assets at fair value through profit or loss

1.1. Trading securities

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

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.

3. Investments securities held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from held-to-maturity financial assets is accounted in income statement.

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

4. Loans and specific provisions

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

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

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

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

In the case where there is an evidence for the possibility of uncollectability of loans, the Parent Bank classifies related loans and receivables in non-performing loans and provides specific provision in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No 26333 "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". The Bank provides specific provision for the loans under follow-up regarding credit risk and other factors, in accordance with the aforementioned regulation. Additionally, the Parent Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" and accounts such provision at the liability side of the balance sheet under general loan loss provision.

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

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

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

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 5.837.963 (December 31, 2015 - TL 5.113.536).

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

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

XI. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

XII. Explanations on Goodwill and Other Intangible Assets

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

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

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

XIII. Explanations on Tangible Assets

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

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

Properties	%2
Movables purchased and acquired under finance lease contracts	%7 - %25

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of the leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated January 10, 2011.

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than a year as of the balance sheet date.

Net book value of the property and leased assets under financial lease contracts are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period income statement when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36).

Gains or losses resulting from disposals of the tangible assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise, they are expensed.

There are no changes in the accounting estimates in regards to amortization duration, which could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There is no purchase commitments related to the fixed assets.

XIV. Explanations on Leasing Transactions

Fixed assets acquired under finance lease contracts are presented under "Tangible Fixed Assets" on the asset side and under "Financial Lease Payables" on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

Total payments made under operating leases are charged to income statement on a straight-line basis over the period of the lease.

The gross lease receivables including interest and principal amounts regarding the Group financial leasing activities as "Lessor" are stated under the "Finance Lease Receivables". The difference between the total of rental payments and the cost of the related fixed assets is reflected to the "unearned income" account. The interest income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 "Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies". Those provisions are accounted under "Lease Receivables" at the accompanying financial statements.

XV. Explanations on Factoring Receivables

Factoring receivables are carried at amortized cost by using the effective interest rate method after unearned interest income is deducted and specific provisions for impairments are provided, if any. These provisions are accounted for under "Factoring Receivables" at the accompanying financial statements. The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 "Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies". Those provisions are accounted for under "Factoring Receivables" at the accompanying financial statements.

XVI. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as "contingent". If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, a provision is provided.

XVII. Explanations on Obligations of the Group for Employees Benefits

Provision for employee severance benefits of the Group has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Group over salary for

30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group.

The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to IAS 19, The Group recognizes all actuarial gains and losses immediately through other comprehensive income.

The Group does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees' unused vacations has been booked in accordance with IAS 19 and reflected to the financial statements.

There are no foundations, pension trusts or similar associations of which the Group employees are members.

XVIII. Explanations on Taxation

1. Corporate Tax

Turkish Tax Legislation does not allow the Group to prepare tax declaration from the financial statements which subsidiaries and investment associates are consolidated into. Therefore, tax provision in accompanying consolidated financial statements is determined by calculating tax provision for each corporation in consolidation scope separately.

In accordance with the Corporate Tax Law No: 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. Advance corporate taxes paid are deducted from the corporate taxes of the current year and shown in current tax asset and current tax liabilities.

75% of gains on disposal of subsidiary shares and real estate's held in Group assets for more than two years are excepted from tax, according to Corporate Tax Law under the condition with adding these gains into equity or allocating into a specific fund account as liability for five years.

Companies file their tax returns between the 1st and the 25th day of the fourth month following the closing of the fiscal year to which they relate and the payments are made until the end of that month.

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.

3. Transfer Pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communique on Disguised Profit Distribution by way of Transfer Pricing" published on November 18, 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communique's 7.1 Annual Documentation section, taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XIX. Additional Explanations on Borrowings

The Parent Bank and consolidated Group companies generate funds from domestically and internationally resident people and institutions by using debt instruments such as syndication, securitization, collateralized debt and bond issuance. Aforementioned transactions are initially recorded at transaction cost plus acquisition cost, reflective of their fair value, and are subsequently measured at amortized cost by using effective interest rate method.

XX. Explanation on Share Issues

During current period, the paid-up capital of the Bank was increased from TL 150.000 as bonus without any contribution from first profit share l. (1 January -31 December 2015 the Bank's paid in capital has been increased by TL 165.000, TL 141.750 paid from first dividend with bonus shares and TL 23.250 paid from subsidiary and real estate sales fund.)

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

XXII. Explanations on Government Incentives

As of December 31, 2016, the Group does not have any governmental incentives or support. (As of December 31, 2015 – None.)

XXIII. Explanation on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time, demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. Other than those mentioned above, the Group also serves in trading financial instruments, treasury operations, and performs insurance, factoring, and domestic and abroad finance lease operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking that have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Parent Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Parent Bank's internal policies are considered.

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300.000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 40.000 and TL 300.000 are considered as "Commercial Enterprise". The Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Bank also offers sectoral solution packages to these small and medium-size firms.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The instalments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANS BANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2016

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Current Period (January 1 -December 31, 2016)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1.636.457	1.697.404	1.344.759	4.678.620
Net Fees and Commissions Income	950.210	448.156	46.511	1.444.877
Other Operating Income and Net Trading Income	177.031	60.179	(487.606)	(250.396)
Dividend Income	-	-	170	170
Operating Income	**2.763.698**	**2.205.739**	**903.834**	**5.873.271**
Other Operating Expenses	1.585.963	1.033.439	318.677	2.938.079
Provision for Loan Losses and Other Receivables	656.335	893.291	(159.203)	1.390.423
Gain / Loss on joint venture accounted for at equity method	-	-	(11.755)	(11.755)
Profit Before Taxes	**521.400**	**279.009**	**732.605**	**1.533.014**
Provision for Tax	**-**	**-**	**-**	**(294.714)**
Net Profit/Loss	**-**	**-**	**-**	**1.238.300**
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
Other Segment Accounts	**345.581**	**210.252**	**63.407**	**619.240**
Capital Expenditures	201.012	122.296	40.572	363.880
Depreciation and Amortization	144.569	87.956	22.835	255.360
Value Decrease/ (Increase)	-	-	-	-

Prior Period (January 1 -December 31, 2016)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1.560.783	1.396.781	1.125.191	4.082.755
Net Fees and Commissions Income	967.940	382.372	36.926	1.387.238
Other Operating Income and Net Trading Income	37.479	48.338	(540.390)	(454.573)
Dividend Income	-	-	58	58
Operating Income	**2.566.202**	**1.827.491**	**621.785**	**5.015.478**
Other Operating Expenses	1.662.259	891.746	320.435	2.874.440
Provision for Loan Losses and Other Receivables	726.711	451.454	29.279	1.207.444
Profit Before Taxes	-	-	(49.538)	(49.538)
Gain / Loss on joint venture accounted for at equity method	**177.232**	**484.291**	**222.533**	**884.056**
Provision for Tax	**-**	**-**	**-**	**(203.642)**
Net Profit/Loss	**-**	**-**	**-**	**680.414**
Total Assets	**23.227.392**	**36.390.835**	**24.176.894**	**88.049.066**
Segment Assets	23.227.392	36.390.835	24.176.894	83.795.121
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	127.847
Undistributed Assets	-	-	-	4.126.098
Total Liabilities	**30.557.061**	**16.196.886**	**23.361.662**	**88.049.066**
Segment Liabilities	30.557.061	16.196.886	23.361.662	70.115.609
Undistributed Liabilities	-	-	-	8.527.972
Equity	-	-	-	9.405.485
Other Segment Accounts	**260.104**	**130.592**	**123.991**	**514.687**
Capital Expenditures	129.591	65.065	104.145	298.801
Depreciation and Amortization	130.513	65.527	19.846	215.886
Value Decrease/ (Increase)	-	-	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XXIV. Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 24, 2016. It was decided net income from 2015 operations to be distributed as follows,

Statement of Profit Distribution, 2015

Profit for the Period	**705.772**
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(35.289)
B – First Profit share to be distributed (*)	(150.000)
C – Real Estate sale income fund (KVK 5-1/e)	(145.684)
D – Extraordinary Reserves	(374.799)

(*) It has been decided for TL 150.000 reserved as the First Profit shares to be distributed to be added to Shareholder's Equity.

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	1.236.405	664.350
Weighted Average Amount of Shares Issued (Thousands)	31.500.000	31.500.000
Earnings per Share	**0,03925**	**0,02109**

In Turkey, companies can increase capital through "bonus share" distributed from previous year earnings to current shareholders. Such "bonus share" distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of "bonus share", earnings per share is calculated taking into consideration new amount of shares.

As of December 31, 2016 amount of issued bonus shares are 1.500.000 (December 31, 2015: 1.650.000).

XXVI. Explanations on Other Matters

None.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity:

Total capital and Capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks." As of December 31, 2016 Group's total capital has been calculated as TL 11.441.004, capital adequacy ratio is 14,27%. As of December 31, 2015, Group's total capital amounted to TL 11.759.029, Capital adequacy ratio was 15,53% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Components of consolidated shareholders' equity items:

	Current Period December 31, 2016	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	6.329.182	
Gains recognized in equity as per TAS	372	
Profit	1.236.405	
Current Period Profit	1.236.405	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period		
Minorities' Share	5.734	
Common Equity Tier 1 Capital Before Deductions	**10.722.407**	
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	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**	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current 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 (-)		

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current Period December 31, 2016	Amounts subject to treatment before 1/1/2014[1]
TOTAL CAPITAL		
Total Capital	11.441.004	
Total risk weighted amounts	80.174.960	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	%12,50	
Tier 1 Capital Adequacy Ratio	%12,38	
Capital Adequacy Ratio	%14,27	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	%5,38	
Capital conservation buffer requirement	%0,63	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	%6,50	
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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period December 31, 2015(*)
COMMON EQUITY	
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	3.000.000
Share issue premiums	714
Share cancellation profits	-
Reserves	5.621.561
Gains recognized in equity as per TAS	-
Profit	802.739
Current Period Profit	664.350
Prior Period Profit	138.389
Provisions for Possible Risks	100.000
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-
Minority shares	189.229
Common Equity Before Deductions	**9.714.243**
Deductions from Common Equity	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-).	289.933
Improvement costs for operating leasing (-)	88.388
Goodwill or other intangible assets and deferred tax liability related to these items (-)	96.676
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law (-)	-
Direct and indirect investments of the Bank in its own common equity (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-).	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-).	-
Portion of mortgage servicing rights exceeding 10% of the common equity (-).	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the common equity (-).	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital (-)	-
Excess amount arising from mortgage servicing rights (-).	-
Excess amount arising from deferred tax assets based on temporary differences (-).	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Common Equity	**474.997**
Total Common Equity	**9.239.246**

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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	December 31, 2015 (*)
ADDITIONAL TIER I CAPITAL	
Capital amount and related premiums corresponding to preference shares that are not included in common equity	-
Debt instruments and premiums deemed suitable by BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2014)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital (-)	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of the total of net long positions of investments made in Additional Tier I Capital and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Other items to be defined by the BRSA (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	-
DEDUCTIONS FROM TIER I CAPITAL	**145.015**
Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1st clause of Provisional Article 2 of the Regulation on the Equity of Banks (-)	145.015
Portion of net deferred tax assets/liabilities which is not deducted from the common equity pursuant to Paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Total Tier I Capital	**9.094.231**
TIER II CAPITAL	
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014)	-
Debt instruments and premiums deemed suitable by the BRSA (issued/obtained before 1.1.2014)	1.893.475
Sources pledged to the Bank by shareholders to be used in capital increases of the Bank	-
General Loan Loss Provisions	838.756
Share of 3rd parties in Tier II Capital	-
Tier II Capital Before Deductions	**2.732.231**
DEDUCTIONS FROM TIER II CAPITAL	-
Direct and indirect investments of the Bank in its own Tier II Capital (-)	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-).	-
Portion of the total of net long positions of investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-).	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	**2.732.231**
CAPITAL BEFORE DEDUCTIONS	**11.826.462**
Loans granted contrary to the 50th and 51th Article of the Law (-)	15.456
Net book value of amounts exceeding the limit mentioned in the 1st Paragraph of Article 57 of the Law and assets acquired against overdue receivables which could not be disposed of even though five years have passed since their acquisition date (-)	13.246
Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-).	-
Amounts to be deducted from equity as per the 2nd Clause of Article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-).	-
Other items to be defined by the BRSA (-)	38.731
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-)	-
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
TOTAL CAPITAL	**11.759.029**
Amounts below the Excess Limits as per the Deduction Principles	**204.170**
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	103.227
Amounts arising from mortgage servicing rights	-
Amounts arising from deferred tax assets based on temporary differences	100.943

	Parent Bank	Consolidated
	December 31, 2015(*)	**December 31, 2015(*)**
Capital Requirement for Credit Risk (Value at Credit Risk * 0,08) (CRCR)	5.156.328	5.368.037
Capital Requirement for Market Risk (MRCR)	85.370	88.270
Capital Requirement for Operational Risk (ORCR)	572.223	600.249
Shareholders' Equity	11.193.253	11.759.029
Shareholders' Equity/(CRCR+MRCR+ORCR) * 12,5 * 100	%15,40	%15,53
Additional Tier I Capital/((CRCR+CRMR+CROR)*12,5*100)	%12,00	%12,01
Common Equity/((CRCR+CRMR+CROR)*12,5*100)	%12,19	%12,20

(*) Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date March 31, 2016, the information given in the prior period column has been calculated pursuant to former regulation.

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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer (*)	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	Yes	Yes	Yes	Yes
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	347	213	133	-
Par value of instrument (Currency in million)	1.148	706	442	918
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-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 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2
Incompliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes	Yes	Yes
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8-2-ğ	8-2-ğ	8-2-ğ	8-2-ğ

II. Explanations on Consolidated Credit Risk

Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally. Credit Risk Management Committee and Credit Department is responsible for managing credit risk.

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Parent, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

Credit Risk Management takes place in every steps of the Parent Bank's credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan Limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation.

Loan limits of the loan customers are revised periodically in line with the Group's loan limit revision procedures.

The Parent Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

The Parent Bank has control limits over the positions of forward transactions, options and other similar agreements.

The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Parent Bank monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

The restructured and rescheduled loans are monitored by the Parent Bank in line with the Parent Bank's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Parent Bank's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operation abroad and credit transactions is acceptable and there is no significant credit risk density in international banking market.

Based on "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside", the Parent Bank considers Second Group loans whose principal or interest payments are not collected at the determined dates as overdue loans. Loans whose principal or interest payments are delayed for more than 90 days and loans of borrowers which the Parent Bank believes that the borrower lost his creditworthiness are considered as impaired loans.

The Parent Bank calculates general loan provision for overdue loans and specific loan provision for impaired loans based on "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The receivables of the Group from its top 100 cash loan customers are 18% in the total cash loans (December 31, 2015- 14%).

The receivables of the Group from its top 200 cash loan customers are 21% in the total cash loans (December 31, 2015-17%).

The receivables of the Group from its top 100 non-cash loan customers are 42% in the total non-cash loans (December 31, 2015- 41%).

The receivables of the Group from its top 200 non-cash loan customers are 51% in the total non-cash loans (December 31, 2015- 50%).

The share of cash and non-cash receivables of the Group from its top 100 loan customers in total cash and non-cash loans is 19% ((December 31, 2015 16%).

The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 23% (December 31, 2015 19%).

The general loan loss provision related with the credit risk taken by the Group is TL 1.288.394 (December 31, 2015- TL 1.190.403).

As of December 31, 2016 Provision for probable risks in the Group's loan portfolio amounted to TL 39.901 (December 31, 2015- TL 106.241).

Exposure Categories	Current Period Risk Amount(*)	Average Risk Amount(**)	Prior Period Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments and Central Banks	25.551.209	23.615.856	19.981.535	19.767.564
Conditional and unconditional receivables from regional or local governments	12.947	8.169	2.277	3.051
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	51.720	37.505	14.698	1.409
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	13.299.260	9.722.024	8.654.207	8.908.374
Conditional and unconditional receivables from corporates	27.058.141	27.971.572	20.856.150	19.895.837
Conditional and unconditional receivables from retail portfolios	36.905.829	30.857.515	24.901.437	23.921.571
Conditional and unconditional receivables secured by mortgages	9.228.499	10.532.638	17.557.366	16.517.226
Past due receivables	653.487	806.427	745.564	693.530
Receivables defined in high risk category by BRSA	78.664	1.226.927	7.067.389	6.852.677
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	3	492	15.882
Investment in equities	47.411	51.153	-	-
Other receivables	4.210.520	4.417.787	4.256.868	4.085.909

(*)Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**)The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation").

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Profile of significant exposures in major regions

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
1. Domesticw	25.551.209	12.947	51.720	-	-	3.417.292	26.720.420	36.893.701	9.227.450	653.432	52.095	-	-	-	-	-	4.094.429	106.674.695
2. European Union Countries	-	-	-	-	-	9.450.475	158.916	831	878	11	26.569	-	-	-	-	-	-	9.637.680
3. OECD Countries (**)	-	-	-	-	-	72.751	6.339	5	-	-	-	-	-	-	-	-	-	79.095
4. Offshore Banking Areas	-	-	-	-	-	20.235	52.982	29	171	-	-	-	-	-	-	-	-	73.417
5. USA, Canada	-	-	-	-	-	302.534	23.095	1.649	-	-	-	-	-	-	-	47.411	-	374.689
6. Other Countries	-	-	-	-	-	35.973	96.389	9.614	-	44	-	-	-	-	-	-	-	142.020
7. Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116.091	116.091
8.Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**25.551.209**	**12.947**	**51.720**	**-**	**-**	**13.299.260**	**27.058.141**	**36.905.829**	**9.228.499**	**653.487**	**78.664**	**-**	**-**	**-**	**-**	**47.411**	**4.210.520**	**117.097.687**

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
1. Domestic	19.981.535	2.277	14.698	-	-	2.185.609	20.625.974	24.897.261	17.556.364	744.893	7.044.190	-	-	-	492	-	4.129.021	97.182.314
2. European Union Countries	-	-	-	-	-	6.114.804	155.903	510	771	-	23.060	-	-	-	-	-	-	6.295.048
3. OECD Countries (**)	-	-	-	-	-	55.863	-	177	-	-	0	-	-	-	-	-	-	56.040
4. Offshore Banking Areas	-	-	-	-	-	31.382	28.419	39	5	-	118	-	-	-	-	-	-	59.963
5. USA, Canada	-	-	-	-	-	243.121	16.273	168	-	-	9	-	-	-	-	-	-	259.571
6. Other Countries	-	-	-	-	-	23.428	29.581	3.282	226	671	12	-	-	-	-	-	-	57.200
7. Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127.847	127.847
8.Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**19.981.535**	**2.277**	**14.698**	**-**	**-**	**8.654.207**	**20.856.150**	**24.901.437**	**17.557.366**	**745.564**	**7.067.389**	**-**	**-**	**-**	**492**	**-**	**4.256.868**	**104.037.983**

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Risk Profile regarding Sectors or Counter Parties:

Current Period	Exposure Categories[*]																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Total
Agriculture	**-**	**-**	**739**	**-**	**-**	**-**	**318.836**	**1.697.268**	**36.979**	**11.648**	**929**	**-**	**-**	**-**	**-**	**-**	**-**	**1.952.091**	**114.308**	**2.066.399**
Farming and Raising Livestock	-	-	739	-	-	-	233.395	1.674.768	34.848	11.520	929	-	-	-	-	-	-	1.923.188	33.011	1.956.199
Forestry	-	-	-	-	-	-	-	2.498	-	52	-	-	-	-	-	-	-	2.550	-	2.550
Fishing	-	-	-	-	-	-	85.441	20.002	2.131	76	-	-	-	-	-	-	-	26.353	81.297	107.650
Industrial	**-**	**12.849**	**5.694**	**-**	**-**	**-**	**9.561.897**	**3.685.619**	**704.150**	**64.545**	**19.600**	**-**	**-**	**-**	**-**	**-**	**-**	**5.681.124**	**8.373.230**	**14.054.354**
Mining and Quarrying	-	-	-	-	-	-	181.189	82.295	23.109	949	981	-	-	-	-	-	-	157.872	130.651	288.523
Production	-	-	5.694	-	-	-	6.867.368	3.583.688	676.726	63.450	18.619	-	-	-	-	-	-	5.372.292	5.843.253	11.215.545
Electricity, Gas, Water	-	12.849	-	-	-	-	2.513.340	19.636	4.315	146	-	-	-	-	-	-	-	150.960	2.399.326	2.550.286
Construction	**-**	**-**	**1.227**	**-**	**-**	**-**	**2.910.112**	**2.323.268**	**780.218**	**25.337**	**8.203**	**-**	**-**	**-**	**-**	**-**	**-**	**4.575.515**	**1.472.850**	**6.048.365**
Services	**13.502.751**	**36**	**12.165**	**-**	**-**	**12.751.060**	**13.010.256**	**8.942.847**	**2.662.484**	**150.880**	**14.966**	**-**	**-**	**-**	**-**	**-**	**-**	**23.072.578**	**27.974.867**	**51.047.445**
Wholesale and Retail Trade	-	-	1.021	-	-	-	5.116.286	7.020.863	856.396	126.341	11.478	-	-	-	-	-	-	10.251.618	2.880.767	13.132.385
Hotel, Food and Beverage	-	-	-	-	-	-	897.069	182.857	288.631	6.036	-	-	-	-	-	-	-	322.185	1.052.408	1.374.593
Transportation and Communication	-	-	1	-	-	-	3.310.562	667.100	55.828	7.773	1.148	-	-	-	-	-	-	975.308	3.067.104	4.042.412
Financial Institutions	13.502.751	33	-	-	-	12.751.060	394.180	70.580	2.970	481	-	-	-	-	-	-	-	9.573.273	17.148.782	26.722.055
Real Estate and Rent Services	-	-	-	-	-	-	1.512.679	190.712	1.141.097	1.523	-	-	-	-	-	-	-	310.758	2.535.253	2.846.011
Self-Employment Services	-	-	9.573	-	-	-	429.499	414.500	131.800	5.202	574	-	-	-	-	-	-	601.434	389.714	991.148
Educational Services	-	-	1.509	-	-	-	165.865	117.626	60.130	1.036	-	-	-	-	-	-	-	309.499	36.667	346.166
Health and Social Services	-	3	61	-	-	-	1.184.116	278.609	125.632	2.488	1.766	-	-	-	-	-	-	728.503	864.172	1.592.675
Other	**12.048.458**	**62**	**31.895**	**-**	**-**	**548.200**	**1.257.040**	**20.256.827**	**5.044.668**	**401.077**	**34.966**	**-**	**-**	**-**	**-**	**47.411**	**4.210.520**	**38.356.778**	**5.524.346**	**43.881.124**
Total	**25.551.209**	**12.947**	**51.720**	**-**	**-**	**13.299.260**	**27.058.141**	**36.905.829**	**9.228.499**	**653.487**	**78.664**	**-**	**-**	**-**	**-**	**47.411**	**4.210.520**	**73.638.086**	**43.459.601**	**117.097.687**

[*]Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

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Prior Period	Exposure Categories(*)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Total
Agriculture	-	-	-	-	-	-	**736.338**	**174.749**	**599.304**	**6.159**	**773**	-	-	-	-	-	-	**1.432.752**	**84.571**	**1.517.323**
Farming and Raising Livestock	-	-	-	-	-	-	705.868	167.153	586.470	5.471	772	-	-	-	-	-	-	1.413.487	52.247	1.465.734
Forestry	-	-	-	-	-	-	759	1.100	1.614	234	-	-	-	-	-	-	-	3.707	-	3.707
Fishing	-	-	-	-	-	-	29.711	6.496	11.220	454	1	-	-	-	-	-	-	15.558	32.324	47.882
Industrial	-	**2.230**	-	-	-	-	**7.523.482**	**2.090.145**	**2.438.935**	**72.287**	**10.248**	-	-	-	-	-	-	**5.320.574**	**6.816.753**	**12.137.327**
Mining and Quarrying	-	-	-	-	-	-	174.635	45.128	65.297	1.188	732	-	-	-	-	-	-	146.742	140.238	286.980
Production	-	-	-	-	-	-	5.577.767	2.034.513	2.184.653	70.343	9.516	-	-	-	-	-	-	5.001.337	4.875.455	9.876.792
Electricity, Gas, Water	-	2.230	-	-	-	-	1.771.080	10.504	188.985	756	-	-	-	-	-	-	-	172.495	1.801.060	1.973.555
Construction	-	-	-	-	-	-	**2.497.737**	**915.151**	**2.399.426**	**46.578**	**10.216**	-	-	-	-	-	-	**3.911.842**	**1.957.266**	**5.869.108**
Services	**11.397.360**	**28**	**14.666**	-	-	**8.057.634**	**8.273.613**	**4.970.699**	**6.571.071**	**181.805**	**8.210**	-	-	-	-	-	-	**21.174.750**	**18.300.336**	**39.475.086**
Wholesale and Retail Trade	-	-	-	-	-	-	4.755.636	4.056.882	3.296.089	155.688	7.085	-	-	-	-	-	-	9.715.614	2.555.766	12.271.380
Hotel, Food and Beverage	-	-	-	-	-	-	398.477	54.398	680.174	873	2	-	-	-	-	-	-	287.077	846.847	1.133.924
Transportation and Communication	-	-	-	-	-	-	1.290.781	389.005	305.576	14.164	693	-	-	-	-	-	-	999.314	1.000.905	2.000.219
Financial Institutions	11.397.360	22	-	-	-	8.057.634	120.658	31.515	26.834	722	2	-	-	-	-	-	-	8.466.898	11.167.849	19.634.747
Real Estate and Rent Services	-	-	-	-	-	-	724.224	72.825	1.533.201	2.105	29	-	-	-	-	-	-	245.697	2.086.687	2.332.384
Self-Employment Services	-	-	7	-	-	-	209.113	172.650	255.256	5.091	130	-	-	-	-	-	-	488.432	153.815	642.247
Educational Services	-	-	14.656	-	-	-	90.806	48.371	131.034	627	3	-	-	-	-	-	-	255.793	29.704	285.497
Health and Social Services	-	6	3	-	-	-	683.918	145.053	342.907	2.535	266	-	-	-	-	-	-	715.925	458.763	1.174.688
Other	**8.584.175**	**19**	**32**	-	-	**596.573**	**1.824.980**	**16.750.693**	**5.548.630**	**438.735**	**7.037.942**	-	-	-	**492**	-	**4.256.868**	**41.532.491**	**3.506.648**	**45.039.139**
Total	**19.981.535**	**2.277**	**14.698**	-	-	**8.654.207**	**20.856.150**	**24.901.437**	**17.557.366**	**745.564**	**7.067.389**	-	-	-	**492**	-	**4.256.868**	**73.372.409**	**30.665.574**	**104.037.983**

(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Analysis of maturity-bearing exposures according to remaining maturities (*):

Current Period	Term To Maturity				
Exposure Categories	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	1.754.475	51.417	71.066	362.871	11.271.551
Conditional and unconditional receivables from regional or local governments	159	-	40	417	12.273
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.362	16.480	4.272	11.439	5.578
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.083.290	1.284.922	428.901	711.095	1.826.318
Conditional and unconditional receivables from corporates	2.581.482	1.924.178	2.929.112	3.250.471	14.442.268
Conditional and unconditional receivables from retail portfolios	1.883.638	3.055.728	3.800.514	4.811.758	14.558.283
Conditional and unconditional receivables secured by mortgages	59.864	147.566	347.712	576.043	8.009.285
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	790	-	177	-	12.046
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	-	-	-	-	-
Other receivables	-	-	-	-	-
General Total	**10.367.060**	**6.480.291**	**7.581.794**	**9.724.094**	**50.137.602**

(*)Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period	Term To Maturity				
Risk Classification	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	2.371.669	13.060	7.102	31.632	8.525.431
Conditional and unconditional receivables from regional or local governments	-	296	-	-	1.934
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	1	-	2	14.506	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.758.776	1.164.679	185.256	233.914	1.197.287
Conditional and unconditional receivables from corporates	1.728.695	1.897.888	2.620.165	3.590.231	8.709.487
Conditional and unconditional receivables from retail portfolios	1.320.738	1.207.997	3.553.607	2.354.386	3.396.920
Conditional and unconditional receivables secured by mortgages	205.322	471.291	1.106.754	1.593.786	13.843.547
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	215	-	-	295.981	6.584.990
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	-	-	-	-	-
Other receivables	84.693	-	-	-	109
General Total	**7.470.109**	**4.755.211**	**7.472.886**	**8.114.436**	**42.259.705**

(*)Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

Exposures by risk weights:

Current Period

Risk Weight	%0	%10	%20	%35	%50	%75	%100	150%	%200	%250	Deductions from Equity
1. **Exposures Before Credit Risk Mitigation**	11.287.303	-	4.622.151	-	24.349.741	43.118.264	33.641.563	78.665	-	-	399.832
2. **Exposures After Credit Risk Mitigation**	9.848.525	-	1.635.837	5.663.072	23.060.071	36.345.227	29.664.989	78.665	-	-	399.832

Prior Period

Risk Weight	%0	%10	%20	%50	%75	%100	150%	%200	%250	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	18.739.685	-	3.031.147	7.810.847	32.745.049	34.643.866	2.888.311	3.949.310	229.768	397.512
2. Exposures After Credit Risk Mitigation	16.436.019	-	1.026.567	22.381.538	22.555.467	26.110.073	2.855.896	3.909.720	229.768	397.512

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information by major sectors and type of counterparties:

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Part IV Footnote 2.

Current Period	Credit Risks(*)			
Important Sectors /Other Parties	**Impaired Loans(**)**	**Past Due Loans**	**Value Adjustments**	**Provisions(**)**
1. Agriculture	**74.637**	**72.212**	**2.413**	**59.429**
1.1. Farming and Raising Livestock	72.915	71.631	2.379	57.799
1.2. Forestry	188	172	14	175
1.3. Fishing	1.534	409	20	1.455
2. Industrial	**517.580**	**234.216**	**12.098**	**445.910**
2.1. Mining and Quarrying	16.403	2.615	124	11.464
2.2. Production	498.215	231.228	11.966	431.681
2.3. Electricity, Gas, Water	2.962	373	8	2.765
3. Construction	**340.940**	**117.269**	**5.487**	**291.724**
4. Services	**1.172.415**	**669.018**	**30.651**	**982.065**
4.1. Wholesale and Retail Trade	893.606	440.016	21.580	749.955
4.2. Hotel, Food and Beverage Services	92.736	86.209	3.557	72.059
4.3. Transportation and Communication	66.067	70.973	2.578	56.257
4.4. Financial Institutions	14.762	10.986	439	13.275
4.5. Real Estate and Renting Services	5.710	5.420	190	4.832
4.6. Self-Employment Services	30.440	18.971	753	24.889
4.7. Educational Services	15.666	10.846	425	14.520
4.8. Health and Social Services	53.428	25.597	1.129	46.278
5. Other	**1.979.452**	**896.888**	**81.241**	**1.615.083**
6. Total	**4.085.024**	**1.989.603**	**131.890**	**3.394.211**

(*) Represents the distribution of cash loans.
(**) Includes financial leasing and factoring balances.

Important Sectors/Other Parties	Credit Risks(*)			
Prior Period	**Impaired Loans(**)**	**Past Due Loans**	**Value Adjustments**	**Provisions(**)**
1. Agriculture	**26.273**	**34.324**	**2.502**	**20.967**
1.1. Farming and Raising Livestock	24.967	33.515	2.425	19.707
1.2. Forestry	600	81	9	554
1.3. Fishing	706	728	68	706
2. Industrial	**233.757**	**139.052**	**18.172**	**215.150**
2.1. Mining and Quarrying	10.238	1.569	122	7.927
2.2. Production	222.946	137.288	18.032	206.714
2.3. Electricity, Gas, Water	573	195	18	509
3. Construction	**162.620**	**60.915**	**4.426**	**133.774**
4. Services	**519.344**	**423.921**	**34.592**	**513.707**
4.1. Wholesale and Retail Trade	347.084	272.293	23.894	345.704
4.2. Hotel, Food and Beverage Services	82.329	63.201	4.416	82.046
4.3. Transportation and Communication	35.051	45.456	3.038	32.478
4.4. Financial Institutions	9.748	7.879	514	9.748
4.5. Real Estate and Renting Services	3.771	2.239	187	3.763
4.6. Self-Employment Services	6.903	11.033	1.041	6.902
4.7. Educational Services	1.486	6.938	438	1.482
4.8. Health and Social Services	32.972	14.882	1.064	31.584
5. Other	**3.039.200**	**1.142.612**	**86.144**	**2.278.582**
6. Total	**3.981.194**	**1.800.824**	**145.836**	**3.162.180**

(*)Represents the distribution of cash loans.
(**) Includes financial leasing and factoring balances.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Movements in value adjustments and provisions

Current Period	Opening Balance	Provisions for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Specific Provisions	3.061.779	1.794.561	(400.979)	(1.203.598)	3.251.763
2. General Provisions	1.190.403	98.009	-	-	1.288.412

(*)Represents the provision of loans written-off.

Prior Period	Opening Balance	Provisions for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Specific Provisions	2.168.614	1.300.063	(404.778)	(2.120)	3.061.779
2. General Provisions	942.661	247.742	-	-	1.190.403

(*)Represents the provision of loans written-off.

Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

Exposures subject to countercyclical capital buffer:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	61.517.840	135.455	**61.653.295**
Malta	149.739	-	**149.739**
Other	112.151	-	**112.151**
Total	**61.779.730**	**135.455**	**61.915.185**

Risk Management and General Disclosures regarding Risk Weighted Amounts

1) GBA – Risk Management Approach of the Group

a) The way risk profile of the Group is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Group is related to risk appetite approved by board of directors

Group acknowledges that business and strategy risks are material since the Bank's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Bank classifies business and strategy risk as an important risk. Group reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often.

b) Risk management structure: Allocation of responsibilities in the Group (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes [e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function])

Group's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Group's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Group or its customers.

Risk management governance at the Group starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Committee ("ORC") and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Group.

The AC is responsible for supervising whether the Group complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Group has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Group.

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Group, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Group's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORC meets every three months and is responsible for reviewing operational risk issues of the Group and defining the necessary actions to be taken to minimize these risks.

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under four groups as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

c) Channels which are used to extend and apply risk culture in the Group (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)

Risk Management Strategy comes out as the main risk management policy document in which the Group defines its risks, determines the risk appetite and the risk management principles. In the Policy regarding the Strategic Risk Management, the Group's strategic risk management framework and its role and responsibilities in this context are organized. ICAAP also takes place in the center of the Group's strategic risk management framework.

Corporate and Retail Loan Policies and application directions also determines the Group's credit risk management workflow and procedures.

Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

The Market Risk Management Policy determines the key principles underlying the operations of the Group in money and capital markets including limit structure.

The IRRBB Management Policy defines the key principles of the management of interest rate risk arising from non-trading activities.

The liquidity policy outlines the Group's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

The Operational Risk Management Policy ensures that all the Group's stakeholders manage operational risk within a formalized framework aligned to business objectives.

d) Key elements and scope of Risk Measurement Systems

Consistent across the Group internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Group's strategic aspirations and regulatory requirements. In particular, the Group's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets. Key principles of Market Risk Management Framework are:

The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes:

- Implementation of the market risk management policy.
- Designation of risk limits
- Definition of responsibilities for every unit involved in market risk management.
- Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits.
- Setting up appropriate IT systems for evaluating and monitoring the risks taken.
- Setting up standard models for market risk positions valuation and performance evaluation.
- Setting up comprehensive reporting and internal control systems.
- Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken.
- Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Credit Risk section of the report consists of three main sub sections such as general Outlook, business Loans and retail Loans, and include;

- Basic risk appetite parameters in the Group Risk Management Strategy
- Exposures by segments, monthly and annual changes, portfolio growth
- Sector concentration and risk metrics
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS
- Detailed watch list analyses for business segments
- Rating distributions, PD distributions, expected loss trend, collateral structure
- New NPLs, vintage analyses, recoveries by segments and products
- Restructured credits by segments
- Derivative products exposures by segments, stress testing
- Credit risk information regarding subsidiaries

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Estimation of Stress VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Sensitivity of the Trading Book and AFS portfolio
- Nominal values of bond portfolios
- A breakdown of the portfolio and the relevant limits utilization
- Utilization of limits on option Greeks
- Subsidiary VaR calculation

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)

The Group puts stress testing at the center of its capital planning. The Bank's general principles on the stress testing framework can be summarized as follows:

- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario
- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items
- Stress testing framework encompasses reverse stress testing

Market Risk Management defines the stress test approaches as below

- To move the risk factors parallel in one direction.
- To move the risk factors non parallel.
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of trading securities, trading purposes derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

g) Risk management, protection and mitigation strategies and process of the group sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.

It is also possible to mention that a similar precautionary level is reflected to "Communique on Credit Risk Mitigation

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Techniques" over conditions and legal haircut ratios required to consider collaterals as risk mitigating element. However, the Group only considers cash and cash equivalent collaterals during the calculation of capital adequacy. Consideration types of cash and cash equivalent collaterals are relatively simple and values of such collaterals reflects current market prices as of reporting dates.

Operational requirements has been increased in order to consider such collaterals as well as Basel II with respect to risk weighted applications of credits secured with commercial and residential immovable property mortgage.

2) Overview of RWA

		Risk Weighted Assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	69.631.556	67.100.460	5.570.524
2	Standardised approach (SA)	69.631.556	67.100.460	5.570.524
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1.515.928	637.294	121.274
5	Standardised approach for counterparty credit risk (SA-CCR)	1.515.928	637.294	121.274
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	1.009.013	1.103.375	80.721
17	Standardised approach (SA)	1.009.013	1.103.375	80.721
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	8.018.463	7.503.118	641.477
20	Basic Indicator Approach	8.018.463	7.503.118	641.477
21	Standardised Approach	-	-	-
22	Advanced Measurement Approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	**TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)**	**80.174.960**	**76.344.247**	**6.413.996**

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Linkages between financial statements and risk amounts

1)Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	a	b	c	d	e	f	g
			Carrying values of items in accordance with TAS				
Assets	Carrying values in financial statements prepared as per TAS (*)	Carrying values in consolidated Financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Cash and balances with the Central Bank	13.103.891	13.103.884	13.103.884	-	-	-	-
Trading Financial Assets	2.824.722	2.824.722	-	2.768.077	-	2.131.693	-
Financial Assets at Fair Value Through Profit or Loss	22.971	22.971	22.971	-	-	-	-
Banks	312.100	312.066	312.066	-	-	-	-
Money Market Placements	1.667.618	1.667.618	367.013	1.300.605	-	-	-
Financial Assets Available-for-Sale (net)	7.032.113	7.032.113	7.032.113	2.810.237	-	-	-
Loans and Receivables	62.349.863	62.614.093	62.569.424	-	-	-	44.669
Factoring Receivables	753.072	750.970	750.970	-	-	-	-
Held-to-maturity investments (net)	5.900.507	5.900.507	5.900.507	3.020.634	-	-	-
Investment in Associates (net)	3.766	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	-	18.054	18.054	-	-	-	-
Investment in Joint ventures (net)	101.704	94.271	94.271	-	-	-	-
Lease Receivables	2.705.627	2.686.277	2.686.277	-	-	-	-
Derivative Financial Assets Held For Hedging	3.443.338	3.443.338	-	3.443.338	-	-	-
Property And Equipment (Net)	1.854.709	1.838.308	1.760.599	-	-	-	77.709
Intangible Assets (Net)	294.231	288.218	-	-	-	-	258.441
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	70.988	71.704	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-	-
Other Assets	1.625.178	1.652.954	1.583.046	-	-	-	19.013
TOTAL ASSETS	**104.066.398**	**104.325.834**	**96.204.961**	**13.342.891**	**-**	**2.131.693**	**399.832**
Liabilities							
Deposits	53.850.110	53.865.249	-	-	-	-	53.865.249
Derivative Financial Liabilities Held for Trading	2.601.716	2.601.716	-	-	-	2.042.040	559.676
Funds Borrowed	11.163.545	11.163.545	-	-	-	-	11.163.545
Money Markets	6.619.833	6.619.833	-	-	-	-	6.619.833
Marketable Securities Issued	6.331.577	6.331.577	-	-	-	-	6.331.577
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	6.720.886	6.720.886	-	-	-	-	6.720.886
Other Liabilities	1.058.255	1.063.878	-	-	-	-	1.063.878
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	426.728	426.728	-	-	-	-	426.728
Provisions	264.711	1.794.752	-	-	-	-	1.794.752
Tax Liability	196.962	198.098	-	-	-	-	198.098
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	3.235.793	3.235.793	-	-	-	-	3.235.793
Shareholder's Equity	11.596.282	10.303.779	-	-	-	-	10.303.779
TOTAL LIABILITIES	**104.066.398**	**104.325.834**	**-**	**-**	**-**	**2.042.040**	**102.283.794**

(1) A mounts valuated in accordance with TAS (IFRS financial statements) reported in financial statements have not been subject to independent audit.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
		Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	111.679.545	96.204.961	-	13.342.891	2.131.693
2	Liabilities carrying value amount under regulatory scope of consolidation	(2.042.040)	-	-	-	(2.042.040)
3	Total net amount under regulatory scope of consolidation	109.637.505	96.204.961	-	13.342.891	89.653
4	Off-Balance Sheet Amounts	55.251.188	8.845.488	-	-	-
5	Differences due to different netting rules	919.360				919.360
6	Difference with the result of the volatility coefficient applied to repo-style transactions	164.892	-	-	164.892	-
7	Decrease in counterparty credit risk as a result of netting	(2.332.790)	-	-	(2.332.790)	-
8	Potential credit risk amount calculated for the counterparty	827.576	-	-	827.576	-
9	Differences due to credit risk reduction	(10.756.633)	(1.357.294)	-	(9.399.339)	-
	Risk Amounts		**103.693.155**	**-**	**2.603.230**	**1.009.013**

3) BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures

a) Ibtech A.Ş. and E-Finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş, which are subsidiaries of the Bank and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, which is a joint controlled entity, are not consolidated in amounts valued in accordance with TAS (BRSA consolidated financial statements) in scope of legal consolidation in the framework of "Communique on Preparation of Consolidated Financial Statements of Banks" since they are not financial institutions and they are consolidated under amounts valued in accordance with TAS reported in financial statements (IFRS financial statements). Therefore, there are differences between the items of both financial statements because of the abovementioned consolidation scope. In addition, a provision is made in the framework of TAS 39 in IFRS financial statements while general and specific provisions are calculated in scope of "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") for credits and receivables of Main Partner Bank. It causes a significant difference in tax item not to allocate deferred tax asset over general provision and free provision amounts in the framework of BRSA communique dated December 8, 2004 and numbered BDDK.DZM.1/13/1-a-3.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Available for Sale". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

c) Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the bank's trading accounts. In this framework, the following elements of the Bank, which must be reflected on balance sheet over their current market values (market to market), are included in market risk:

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills,

- Open foreign exchange position with respect to each foreign currency
- Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives
- Reverse repo transactions

Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

Finans Bank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, option risk to 12.5.

Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel 2 reporting set. Details of analysis are as follows:

- Commodity risk analysis: Simplified approach (Standard method)
- Interest rate risk analysis: General Market Risk Calculation (Standard method – maturity approach) – Specific risk calculation (standard method)
- Equity share risk analysis: Position risk in equity share investments (Standard method)
- Exchange rate exposure analysis (standard method)
- Option risk analysis: Weighting method with delta factor (standard method)

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in trade portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

Definition of independent price approval processes:

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (bond, bill and derivative prices)
- Share prices
- Exchange rates
- Gold, other precious metals and commodity prices

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as “general market risk”.

Independency of price process in ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)

TL borrowing instruments included in securities portfolio of trading account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBT prices for TL securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio.

Credit Risk Disclosures

A) General Information on Credit Risk

1) CRD – General Qualitative Information on Credit Risk

a) Conversion of Group's business model to components of credit risk profile

The Group has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

b) Criteria and approach used during the determination of credit risk policy and credit risk limits

Group credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Group, Group Credit Policies and legal authorities. Pillars of credit risk management policy in Group are;

• Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)

• Decisions of institutions auditing QNB Group

• Credit policies and procedures at group level

• Risk Management Strategy

• Corporate, commercial and SME banking credit policies and corporate grading management documents

• Individual credit and credit cards policies

Risk Management Strategy is the main risk management policy document in which the risks of the Group are identified, and its risk appetite and managements principles are determined. Credit risk limits are annually reviewed in line with risk strategy.

c) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Group in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Group.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Group's Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Group, Risk Management Strategy Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included.

Main responsibilities of Credit Risk Management Department are as follows:

• To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,

• To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,

• To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Group,

• To make periodic stress tests and scenario analysis and establish early warning systems,

• To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management,

• To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,

• To promote risk awareness and management culture at group level.

d) Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk governance model includes three lines of defense consisting of:

• The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.

• Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.

• Internal Audit – provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, non-performing loans, watchlist loans, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

Apart from these monthly reports, peer group analysis-based on capital adequacy and credit risk metrics of peer group banks- is also reported to Management and Board of Directors.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2) KR 1 Credit quality of assets

		a	b	c	d
		Gross carrying values of as per TAS		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	3.874.148	62.014.679	3.251.763	62.637.064
2	Debt Securities	-	12.883.567	-	12.883.567
3	Off-balance sheet exposures	-	53.293.087	41.241	53.251.846
4	**Total**	**3.874.148**	**128.191.333**	**3.293.004**	**128.772.477**

In accordance with "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published at official gazette dated 1/11/2006 and numbered 26333, credit receivables identified as illiquid claims are mentioned under 1-a section as receivables at default. Off-balance sheet receivables of customers having credit at default are mentioned under 3-a section as off-balance sheet receivables at default.

3) KR2 Changes in stock of defaulted loans and debt securities

		a
1	Defaulted loans and debt securities at end of the previous reporting period	3.814.659
2	Loans and debt securities that have defaulted since the last reporting period	2.012.711
3	Returned to non-defaulted status	-
4	Amounts written off(*)	1.198.493
5	Other changes(**)	754.729
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**3.874.148**

(*) Includes the sale of legal follow-up loans receivable amounting to TL 1.195.218 in the current period.
(**) Includes collections from credits in default.

4) KRB – Additional disclosures related to credit quality of assets:

(a) Receivables having more than 90 days overdue are defined as "Past due receivables". There is no difference between "past due receivables" and "loans subject to provisioning" since all loans with 90 days overdue are subject to specific provisioning.

(b) There is no part of past due receivables which is not reviewed as "loans subject to provisioning".

(c) Specific provision amounts are determined in accordance with "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" and collaterals are not deducted from the risk amounts.

(d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments by the Bank it is aimed to overcome payment difficulty of the customer through making changes such as extension of term, payment free period or interest discount. Receivables in aforementioned scope are identified as "restructured receivables".

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e) Exposures provisioned against by major regions, major sectors and remaining maturity

Exposures provisioned against by major regions:

Country	December 31, 2016
Domestic	61.738.671
European Union (EU) Countries	162.720
USA,Canada	20.304
OECD Countries	59
Off-Shore Banking Regions	32.872
Other Countries	60.053
Total	**62.014.679**

Exposures provisioned against by major sectors:

	December 31, 2016
1. Agricultural	**1.880.523**
1.1. Farming and raising livestock	1.777.853
1.2. Forestry	2.742
1.3. Fishing	99.928
2. Manufacturing	**9.919.395**
2.1. Mining and Quarrying	210.487
2.2. Production	7.630.448
2.3. Electricity, Gas, Water	2.078.460
3. Construction	**4.173.284**
4. Services	**23.030.796**
4.1 Wholesale and retail trade	11.150.757
4.2 Hotel, food and beverage services	2.135.018
4.3 Transportation and telecommunication	3.605.133
4.4 Financial institutions	3.082.435
4.5 Real estate and leasing services	381.882
4.6 Self-employment services	819.582
4.7 Education services	339.226
4.8 Health and social services	1.516.763
5. Other	**23.010.681**
6. Total	**62.014.679**

Breakdown of Exposures according to remaining maturity:

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	12.253.471	6.120.563	18.890.533	18.324.065	6.426.047	62.014.679

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

f) Exposures provisioned against by major regions and loans written off during the period an uncollectible

	Loans subject to provision	Provision	Written-off from Assets
Domestic	3.850.668	3.228.305	1.198.493
EU Countries	22.692	22.674	-
USD, Canada	1	1	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	776	776	-
Other Countries	11	7	-
Total	**3.874.148**	**3.251.763**	**1.198.493**

(*)Includes OECD countries other than EU countries, USA and Canada.

Exposures provisioned against by major sectors and loans written off during the period as uncollectible

	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**62.127**	**50.516**	**4.733**
1.1. Farming and Raising Livestock	60.460	48.941	4.370
1.2. Forestry	133	120	139
1.3. Fishing	1.534	1.455	224
2. Industrial	**478.265**	**416.772**	**41.700**
2.1. Mining and Quarrying	8.915	8.681	141
2.2. Production	466.650	405.572	41.494
2.3. Electricity, Gas, Water	2.700	2.519	65
3. Construction	**266.896**	**248.182**	**7.974**
4. Services	**1.120.965**	**940.057**	**155.822**
4.1. Wholesale and Retail Trade	876.397	735.824	117.815
4.2. Hotel, Food and Beverage Services	92.204	71.827	18.670
4.3. Transportation and Communication	59.774	51.521	9.181
4.4. Financial Institutions	14.758	13.271	2.242
4.5. Real Estate and Renting Services	5.656	4.786	1.208
4.6. Self-Employment Services	30.351	24.835	3.616
4.7. Educational Services	15.664	14.519	1.053
4.8. Health and Social Services	26.161	23.474	2.037
5. Other	**1.945.895**	**1.596.236**	**988.264**
6. Total	**3.874.148**	**3.251.763**	**1.198.493**

g) Aging Analysis

Overdue days	Amount
0-30	60.127.533
31-60	959.588
61-90	927.558
90+	3.874.148
Total	**65.888.827**

h) Breakdown of restructured receivables based on whether or not provisions are allocated:

	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Loans subject to provision	-	-	73.703
Non- reserved Loans (*)	1.302.740	1.703.818	-
Total	**1.302.740**	**1.703.818**	**73.703**

(*) General provision is made for the related Loans.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

B) Credit Risk Mitigation

1) KRC - Qualitative disclosure on credit risk mitigation techniques

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of the Bank.

The Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy during the counterparty risk measurement.

2) KR3 – Credit risk mitigation techniques – Overview

		a	b	c	d	e	f	g
		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	60.562.016	2.075.048	1.235.606	-	-	-	-
2	Debt securities	12.883.567	-	-	-	-	-	-
3	Total	73.445.583	2.075.048	1.235.606	-	-	-	-
4	**Of which defaulted**	620.142	2.243	247	-	-	-	-

C) Credit risk when standard approach is used

1) KRD – Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:

a) Marks of Fitch credit rating institution are used in credit risk standard approach calculations.

b) Centralized administrations and Banks take CRA marks into account for risk classes.

c) Mark assigned to a debtor is taken into account for all assets of the debtor.

d) CRA, which is not included in twinning table of the institution, is not used.

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2) KR4 – Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects:

	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	24.088.287	-	24.088.287	-	7.663.203	32%
2	12.888	198	12.888	27	6.457	50%
3	15.817	94.286	15.817	34.545	50.362	100%
4	-	-	-	-	-	0%
5	-	-	-	-	-	0%
6	2.641.934	696.048	2.634.526	457.102	1.202.693	39%
7	21.048.997	13.980.397	20.239.217	5.658.222	25.897.439	100%
8	34.309.408	39.914.526	33.935.906	2.398.711	27.250.963	75%
9	5.636.165	333.580	5.636.165	26.905	1.982.075	35%
10	3.474.396	183.132	3.474.396	91.030	1.782.713	50%
11	653.487	-	653.240	-	482.861	74%
12	65.651	49.021	65.651	12.589	117.360	150%
13	-	-	-	-	-	0%
14	-	-	-	-	-	0%
15	-	-	-	-	-	0%
16	4.210.520	-	4.210.520	-	3.148.019	75%
17	47.411	-	47.411	-	47.411	100%
18	**96.204.961**	**55.251.188**	**95.014.024**	**8.679.131**	**69.631.556**	**67%**

1- Exposures from central governments or central banks
2- Exposures from regional or local governments
3- Exposures from administrative units and non-commercial enterprises
4- Exposures from multilateral development banks
5- Exposures from international organizations
6- Exposures from banks and brokerage houses
7- Exposures from corporates
8- Retail receivables
9- Receivables secured by mortgages
10- Exposures secured by commercial real estate
11- Past due receivables
12- Exposures defined as high risk category by the Regulator
13- Mortgage-backed Securities
14- Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15- Investments in the Nature of Collective Investment
16- Other receivables
17- Investment in equities
18- Total

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3) KR5 – Standardised approach – exposures by asset classes and risk weights:

	a	b	c	d	e	f	g	h	i	j
	%0	%10	%20	%35	%50	%75	%100	%150	Others	Total credit risk exposure amount (after CCF and CRM)
1	8.761.880	-	-	-	15.326.407	-	-	-	-	**24.088.287**
2	-	-	-	-	12.915	-	-	-	-	**12.915**
3	-	-	-	-	-	-	50.363	-	-	**50.363**
4	-	-	-	-	-	-	-	-	-	**-**
5	-	-	-	-	-	-	-	-	-	**-**
6	-	-	1.156.427	-	1.927.586	-	7.614	-	-	**3.091.627**
7	-	-	-	-	-	-	25.897.437	-	-	**25.897.437**
8	-	-	-	-	-	36.334.617	-	-	-	**36.334.617**
9	-	-	-	5.663.071	-	-	-	-	-	**5.663.071**
10	-	-	-	-	3.565.426	-	-	-	-	**3.565.426**
11	-	-	-	-	340.758	-	312.482	-	-	**653.240**
12	-	-	-	-	-	-	-	78.241	-	**78.241**
13	-	-	-	-	-	-	-	-	-	**-**
14	-	-	-	-	-	-	-	-	-	**-**
15	-	-	-	-	-	-	-	-	-	**-**
16	-	-	-	-	-	-	47.411	-	-	**47.411**
17	1.062.501	-	-	-	-	-	3.148.019	-	-	**4.210.520**
18	**9.824.381**	**-**	**1.156.427**	**5.663.071**	**21.173.092**	**36.334.617**	**29.463.326**	**78.241**	**-**	**103.693.155**

1- Exposures from central governments or central banks
2- Exposures from regional or local governments
3- Exposures from administrative units and non-commercial enterprises
4- Exposures from multilateral development banks
5- Exposures from international organizations
6- Exposures from banks and brokerage houses
7- Exposures from corporates
8- Retail receivables
9- Receivables secured by mortgages
10- Exposures secured by commercial real estate
11- Past due receivables
12- Exposures defined as high risk category by the Regulator
13- Mortgage-backed Securities
14- Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15- Investments in the Nature of Collective Investment
16- Investment in equities
17- Other Receivables
18- Total

1. Disclosures regarding counterparty credit risk

A) Qualitative disclosures regarding DCCR – CCR table:

a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed in the framework of Derivative Products Application Instruction in line with credit risk policies since it is a type of risk reviewed in scope of credit risk although there are several differences.

Parent Bank does not make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction.

b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.
- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits.

c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Parent Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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B) Assessment of Counterparty Credit Risk according to the models of measurement

		a	b	c	d	e	f
		Revaluation Cost	**Potential credit risk exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**Exposure after credit risk mitigation**	**Risk Weighted Amounts**
1	Standard Approach-CCR	3.878.625	827.576		1,4	1.607.363	900.037
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation						
4	Comprehensive Method for Credit Risk Mitigation					995.867	349.591
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	**Total**						**1.249.628**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

C) KKR2 – Credit valuation adjustment (CVA) capital charge

		a	b
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (3*multiplier included)		
2	(ii) Stressed Value at Risk (3*multiplier included)		
3	Total portfolio value with simplified approach CVA capital adequacy	1.607.363	266.300
4	**Total amount of CVA capital adequacy**	1.607.363	266.300

D) KKR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights

	a	b	c	d	e	f	g	h	i
	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
1	24.144	-	-	-	-	-	-	-	**24.144**
2	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-
6	-	-	479.410	1.886.979	-	-	-	-	**2.366.389**
7	-	-	-	-	-	201.663	-	-	**201.663**
8	-	-	-	-	10.610	-	-	-	**10.610**
9	-	-	-	-	-	-	-	-	-
10	-	-	-	-	-	-	-	-	-
11	-	-	-	-	-	-	424	-	**424**
12	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	-	-	-	-
15	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-
19	**24.144**	**-**	**479.410**	**1.886.979**	**10.610**	**201.663**	**424**	**-**	**2.603.230**

1- Exposures from central governments or central banks
2- Exposures from regional or local governments
3- Exposures from administrative units and non-commercial enterprises
4- Exposures from multilateral development banks
5- Exposures from international organizations
6- Exposures from banks and brokerage houses
7- Exposures from corporates
8- Retail receivables
9- Mortgage receivables
10- Non performing receivables
11- High risk defined receivables
12- Mortgage backed securities
13- Securitization Positions
14- Short term credit rated banks and Intermediary Institutions receivables
15- Collective investment undertaking investments
16- Equity Investments
17- Other Receivables
18- Other Assets
19- Total

E) CCR4 – Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

Related table is not presented due to standard method is used for calculation of capital adequacy.

F) CCR5 – Composition of collateral for CCR exposure:

	a	b	c	d	e	f
	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	-	-	-	1.495.044	-
Cash - Foreign Currency	-	3.272.578	-	377.338	3.525.142	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**3.272.578**	**-**	**377.338**	**5.020.186**	**-**

G) CCR6 –Credit Derivatives

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold.

H) CCR7 – RWA changes on CCR within the internal model method

Related table is not presented due to standard method is used for calculation of capital adequacy.

I) CCR8 – Exposures to central counterparties

Related table is not presented due to the Parent Bank has no risk against to counterparty.

5. Securitization exposures:

The Parent Bank has no securitization transactions.

6. Disclosures regarding Consolidated Market Risk

A) MRD – Qualitative information which shall be disclosed to public related to market risk

a) Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Trading accounts covers all derivative products except for financial assets held for trading, open exchange position and having hedging purposes.

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

b) Risk Committee of the Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by Finans Bank.

c) Finans Bank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo or consolidated.

The Group calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trade portfolio and also total risk of trade portfolio and Securities Available For Sale portfolio. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

B) Market risk under standardised approach

		RWA(**) Risk Weighted Asset
		Current Period (Thousands of TL)
	Outright products (*)	998.313
1	Interest rate risk (general and specific)	639.388
2	Equity risk (general and specific)	13.050
3	Foreign exchange risk	343.113
4	Commodity risk	2.762
	Options	10.700
5	Simplified approach	-
6	Delta-plus method	10.700
7	Scenario approach	-
8	Securitization	-
9	Total	1.009.013

(*) Outright products refer to position in products that are not optional.

(**) The market Risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount

7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2015, 2014 and 2013 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk. As of December 31, 2016, the total amount subject to operational risk is TL 8.018.463. (December 31, 2015 – TL 7.503.113).

Current Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income	3.995.793	4.322.420	4.511.319	4.276.511	15	641.477
Amount subject to operational risk (Total*12,5)						**8.018.463**

Prior Period	**2 Prior Period Value**	**1 Prior Period Value**	**Current Period value**	**Total / Total number of years for which gross income is positive**	**Rate (%)**	**Total**
Gross Income	3.686.775	3.995.793	4.322.420	4.001.663	15	600.249
Amount subject to operational risk (Total*12,5)						**7.503.113**

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the disposal of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

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III. Explanations on Consolidated Foreign Exchange Risk

1. Whether the Group is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the Board of Directors of the Parent Bank sets limits for positions that are monitored daily

The difference between the Parent Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure.

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and Bank strategy and updated as deemed necessary.

Foreign Currency Exchange Rate Risk is monitored along with potential evaluation differences in foreign currency translations in accordance with "Regulations on Bank's Internal Control and Risk Management Systems". Standard method is used in measuring foreign currency exchange rate risk on a weekly basis.

2. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

The Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments (Details explaining Section Five Part three)

3. The spot foreign exchange bid rates of the Parent Bank as of the balance sheet date and for each of the five days prior to that date

US Dollars purchase rate in the balance sheet date	3,5318 TL
Euro purchase rate in the balance sheet date	3,6939 TL

Date	US Dollar	Euro
December 30, 2016	3,5318	3,6939
December 29, 2016	3,5329	3,6901
December 28, 2016	3,5135	3,6711
December 27, 2016	3,5041	3,6639
December 26, 2016	3,5077	3,6647

4. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2016 are TL 3,4889 and TL 3,6813; respectively.

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5. Information on the consolidated foreign exchange risk of the Group (Thousands of TL)

Current Period	**EUR**	**USD**	**Other FC**	**Total**
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank(1)	2.705.117	6.901.877	1.567.029	11.174.023
Due From Banks	97.013	149.538	17.365	263.916
Financial Assets at Fair Value through Profit/Loss (2)	80.698	91.443	245	172.386
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	348.455	2.531.588	-	2.880.043
Loans and Receivables (3)	7.764.280	8.836.547	16.922	16.617.749
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Securities Held-to-Maturity	16.189	2.500.366	-	2.516.555
Derivative Financial Assets Hedging Purposes	1.298	32.263	-	33.561
Tangible Assets	-	-	48	48
Intangible Assets	-	-	-	-
Other Assets (4)	1.362.338	663.221	42.753	2.068.312
Total Assets	**12.375.388**	**21.706.843**	**1.644.362**	**35.726.593**
Liabilities				
Bank Deposits	429.229	1.017.335	222.232	1.668.796
Foreign Currency Deposits(5)	5.901.732	13.646.709	1.150.954	20.699.395
Money Market Borrowings	178.710	3.340.999	-	3.519.709
Funds Provided from Other Financial Institutions	3.205.364	9.275.421	1.373.101	13.853.886
Securities Issued(6)	183.426	4.286.885	-	4.470.311
Sundry Creditors(7)	2.679.211	1.779.198	19.147	4.477.556
Derivative Fin. Liabilities Hedging Purposes	63.701	166.788	-	230.489
Other Liabilities (8)	118.899	242.169	252	361.320
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
Prior Period				
Total Assets	**8.932.486**	**15.261.590**	**1.736.272**	**25.930.348**
Total Liabilities	**11.840.961**	**25.709.519**	**1.129.066**	**38.679.546**
Net Balance Sheet Position	**(2.908.475)**	**(10.447.929)**	**607.206**	**(12.749.198)**
Net Off-Balance Sheet Position	**2.658.823**	**10.445.654**	**(603.089)**	**12.501.388**
Financial Derivative Assets	7.811.037	45.187.218	354.262	53.352.517
Financial Derivative Liabilities	5.152.214	34.741.564	957.351	40.851.129
Non-Cash Loans (8)	1.304.766	2.171.515	990.103	4.466.384

(1) Cash and Balances with TR Central; Other FC include TL 1.554.973 (December 31, 2015 – TL 1.694.042) precious metal deposit account.

(2) Does not include TL 38.111 (December 31, 2015 – 9.501 TL) of currency income accruals arising from derivative transactions.

(3) Includes TL 3.859.134 TL (December 31, 2015 – TL 3.435.405) FC indexed loans.

(4) Does not include FC prepaid expenses amounting to TL 3.375 (December 31, 2015 – TL 4.114) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006. Does not include repealed financial leasing receivables amounting to TL 5.416 (December 31, 2015 – TL 1.300) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 41.327 (December 31, 2015 – TL 64.576) accounted as TL in balance sheet.

(5) Other foreign currency includes TL 778.428 (December 31, 2015 – TL 430.694) of precious metal deposit account.

(6) Debt instrument at an amount of USD 380 million included in securities issued has been mentioned in fair value hedge accounting.

(7) Sundry Creditors do not include the Foreign Exchange Loan Factoring payables amounting to TL 8.

(8) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 41.958 (December 31, 2015 – TL 38.874)

(9) Does not have an effect on Net Off-balance Sheet Position.

As of December 31, 2016, the net foreign currency exposure of the Group is TL 1.644.897 short position (December 31, 2015 – TL – 247.810 short) resulting from on balance sheet short position amounting to TL 13.554.869 (December 31, 2015 – TL 12.749.198 short) and long off balance sheet position amounting to TL 11.909.972 (December 31, 2015 – TL 12.501.388 long). As it is stated Five, net foreign currency short position of the Group is TL 302.813 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.342.084) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

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6. Sensitivity to Foreign Exchange Risk

The Bank is subject to exchange rate risk mainly from Euro and USD. The table below shows the Bank's sensitivity to a 10% change in Euro and USD currencies. It is assumed that all other variables are constant.

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)	Effect on Gain/ Loss (After Tax)	Net Effect on Shareholders Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
USD	%10 gain	(147)	(29.204)	3.823	(10.191)
	%10 loss	147	29.204	(3.823)	10.191
EURO	%10 gain	6.402	5.101	(10.716)	(10.966)
	%10 loss	(6.402)	(5.101)	10.716	10.966

(*)Effect on Shareholders Equity include the effect of the change of exchange rates on the income statement.

IV. Explanations on Consolidated Interest Rate Risk

Interest rate risk that would arise from the changes in interest rates depending on the Parent Bank's position is managed by the Asset/Liability Committee of the Parent Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/ Liability Committee meetings held every two weeks by taking the market developments into consideration.

The management of the Parent Bank follows the interest rates in the market on a daily basis and revises interest rates of the Parent Bank when necessary.

Parent Bank's asset and liabilities carry positive interest rate income and are repriced every nine months. Therefore the Bank holds limited amount of interest rate risk.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

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Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	7.541.319	-	-	-	-	5.562.565	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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing (*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	5.726.666	-	-	-	-	4.270.379	9.997.045
Due from Banks	99.989	5.000	-	-	-	213.150	318.139
Financial Assets at Fair Value Through Profit/Loss (**)	183	47.272	12.419	14.758	42.785	5.490.280	5.607.697
Money Market Placements	87.711	-	-	-	-	-	87.711
Inv. Securities Available for Sale	1.392.541	310.046	1.427.730	334.391	1.832.927	(1.985)	5.295.650
Loans and Receivables	12.483.011	7.853.000	19.402.776	14.351.621	1.154.277	1.817.510	57.062.195
Inv. Securities Held to Maturity	166.413	1.026.712	1.468.368	951.410	176.449	84.562	3.873.914
Other Assets	409.570	275.030	626.273	1.062.551	61.842	3.371.449	5.806.715
Total Assets	**20.366.084**	**9.517.060**	**22.937.566**	**16.714.731**	**3.268.280**	**15.245.345**	**88.049.066**
Liabilities							
Bank Deposits	1.247.544	268.133	12.689	-	-	28.404	1.556.770
Other Deposits	27.163.445	10.109.320	1.694.629	38.035	-	7.749.078	46.754.507
Money Market Borrowings	3.655.981	796.433	349.686	-	-	7.161	4.809.261
Sundry Creditors	3.417.799	-	-	-	-	2.105.631	5.523.430
Securities Issued	327.199	1.499.770	1.498.843	2.450.170	-	51.005	5.826.987
Funds Borrowed	1.122.245	915.524	6.358.514	297.504	-	34.389	8.728.176
Other Liabilities (***)	125	31	139	-	-	14.849.640	14.849.935
Total Liabilities	**36.934.338**	**13.589.211**	**9.914.500**	**2.785.709**	**-**	**24.825.308**	**88.049.066**
On Balance Sheet Long Position	-	-	13.023.066	13.929.022	3.268.280	-	30.220.368
On Balance Sheet Short Position	(16.568.254)	(4.072.151)	-	-	-	(9.579.963)	(30.220.368)
Off-Balance Sheet Long Position	5.075.073	8.149.847	1.652.123	-	-	-	14.877.043
Off-Balance Sheet Short Position	-	-	-	(9.587.001)	(1.796.952)	-	(11.383.953)
Total Position	**(11.493.181)**	**4.077.696**	**14.675.189**	**4.342.021**	**1.471.328**	**(9.579.963)**	**3.493.090**

(*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(**) Financial Assets at Fair Value Through Profit/Loss include TL 3.239.009 derivative financial assets used for hedging purposes.
(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 283.444.

Average interest rates applied to monetary financial instruments

Current Period	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 for Trading	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

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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	-	0,49	-	3,81
Due from Banks	0,10	0,56	-	11,61
Financial Assets at Fair Value Through Profit/Loss	1,94	4,57	-	9,14
Money Market Placements	-	-	-	-
Investment Securities Available for Sale	3,68	4,96	-	9,93
Loans and Receivables	4,23	4,57	3,65	14,42
Investment Securities Held to Maturity	2,96	5,22	-	10,01
Liabilities				
Bank Deposits	0,87	0,97	-	11,33
Other Deposits	1,62	2,13	0,25	11,78
Money Market Borrowings	0,45	0,92	-	8,03
Sundry Creditors	1,82	1,76	-	6,12
Securities Issued	-	5,89	-	11,90
Funds Borrowed	1,88	3,28	-	9,83

Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Group analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. In order to this, within the scope of "Asset Liability Management Policy" risks are measured, monitored and limited on a regular basis.

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated on a weekly basis, analysis of the standard economic value approach is supported by different scenarios. In addition, sensitivity of net interest income is monitored and the prepayment rates of loans are considered managing the interest rate risk.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

All these analyses are reported to Asset and Liability Committee and Risk Committee and by considering market conditions and the bank strategy, the interest rate risk on banking book is managed within specified limits parallel to the Bank's appetite of risk.

Available for sale securities included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VaR limits.

The interest rate risk on banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette No.28034 dated August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

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Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TL	(+) 500	(1.011.754)	%(9,00)
	(-) 400	969.371	%8,62
2. EURO	(+) 200	(177.287)	%(1,58)
	(-) 200	205.420	%1,83
3. USD	(+) 200	(184.363)	%(1,64)
	(-) 200	232.063	%2,06
Total (of negative shocks)		**1.406.854**	**%12,52**
Total (of positive shocks)		**(1.373.404)**	**%(12,22)**

V. Explanations on consolidated equity securities position risk

	Comparison		
Equity Securities (shares)	**Carrying Value**	**Fair Value**	**Market Value**
1. Equity Investments Group A	**17.546**	**-**	**17.546**
Quoted Securities	17.546	-	17.546
2. Equity Investments Group B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Equity Investments Group C	**-**	**-**	**-**
Quoted Securities	-	-	-
4. Equity Investments Group Other	**116.091 (*)**	**126.643(**)**	**-**

(*) 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.

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	**Gains/Losses in Current Period**	**Total**	**Amount under Core Capital**	**Total**	**Amount under Core Capital**	**Amount under Supplementary Capital**
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	1.242	-	-	(173)	-	(78)
3. Other Shares	-	-	-	-	-	-
4. Total	**1.242**	**-**	**-**	**(173)**	**-**	**(78)**

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of Parent Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of Parent Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in Parent Bank in order to monitor related limits. Senior management of Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

Finans Bank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Bank, are determined in the framework of limits.

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Bank.

A large part of the Bank's liabilities consist of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALC meetings. Maturity mismatches based on currencies are managed through FX swap and FX forward.

The Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors.

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Bank regulates funding activities to be used in liquidity crisis periods specific to the Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Liquidity Coverage Ratio

	Unweighted Amounts(*)		Weighted Amounts(*)	
CURRENT 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 Amounts	
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 COVAREGE RATIO (%)			**82,01%**	**100,45%**

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the monthly simple arithmetic average.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Unweighted Amounts(*)		Weighted Amounts(*)	
PRIOR PERIOD - December 31, 2015	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS			**12.547.720**	**7.199.398**
1. High Quality Liquid Assets	14.258.534	8.910.988	12.547.720	7.199.398
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	32.837.720	12.568.703	2.798.784	1.133.632
3. Stable deposits	9.699.766	2.464.775	484.988	123.239
4. Less stable deposits	23.137.954	10.103.928	2.313.796	1.010.393
5. Unsecured Funding other than Retail and Small Business Customers Deposits	17.847.748	9.428.075	11.133.563	5.891.088
6. Operational deposits	649.371	20.912	162.343	5.228
7. Non-Operational Deposits	12.452.515	6.897.681	6.546.758	3.376.378
8. Other Unsecured Funding	4.745.862	2.509.482	4.424.462	2.509.482
9. Secured funding			238.705	238.705
10. Other Cash Outflows	15.159.150	9.596.366	15.159.150	9.596.366
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	15.159.150	9.596.366	15.159.150	9.596.366
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets and other off balance sheet liabilities				
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	569.850	141.021	28.493	7.051
15. Other irrevocable or conditionally revocable commitments	43.730.869	4.509.859	2.947.252	399.370
16. TOTAL CASH OUTFLOWS			**32.305.947**	**17.266.212**
CASH INFLOWS				
17. Secured Lending Transactions	583.691	-	-	-
18. Unsecured Lending Transactions	5.122.022	774.397	2.871.544	617.004
19. Other contractual cash inflows	13.701.483	9.160.297	13.701.484	9.160.297
20. TOTAL CASH INFLOWS	**19.407.196**	**9.934.694**	**16.573.028**	**9.777.301**

		Capped Amount
21. TOTAL HIGH QUALITY LIQUID ASSETS	**12.547.720**	**7.199.398**
22. TOTAL NET CASH OUTFLOWS	**15.732.919**	**7.488.911**
23. LIQUIDITY COVERAGE RATIO (%)	**79,75%**	**96,13%**

(*) 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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Minimum, maximum and average liquidity coverage ratios calculated in accordance with the "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette no. 28948, dated March 21, 2014 for the last three months are explained in the table below.

	Maximum	Date	Minimum	Date	Average
TL+FC	97,9	30/12/2016	70,2	31/10/2016	82,6
FC	123,4	30/12/2016	72,4	31/10/2016	105,9

Liquidity coverage ratio is regulated by the BRSA to make sure that the Banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of the Parent Bank's high quality liquid assets are comprised of first quality liquid assets, most of which are CBT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Parent Bank mainly consist of deposits which constitute 52% of total liabilities of the Group (December 31, 2015 – 55%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Parent Bank are included in liquidity coverage ratio tables above.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

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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	Un-Allocated(1)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	4.005.905	9.097.979	-	-	-	-	-	13.103.884
Due from Banks	224.372	75.512	-	12.182	-	-	-	312.066
Financial Assets at Fair Value Through Profit/Loss (2)	-	740.370	547.677	1.558.630	3.253.717	190.637	-	6.291.031
Money Market Placements	-	1.667.618	-	-	-	-	-	1.667.618
Investment Securities Available for Sale	49.053	291.851	51.417	231.491	2.543.365	3.864.936	-	7.032.113
Loans and Receivables	-	12.253.471	6.120.108	18.889.167	18.322.244	6.406.718	622.385	62.614.093
Investment Securities Held to Maturity	-	-	80.618	50.057	2.306.876	3.462.956	-	5.900.507
Other Assets	3.202	1.432.199	412.531	940.751	1.950.275	89.408	2.576.156	7.404.522
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**
Liabilities								
Bank Deposits	136.155	1.195.558	573.497	67.775	-	-	-	1.972.985
Other Deposits	9.222.301	30.755.214	9.948.909	1.915.633	50.207	-	-	51.892.264
Funds Borrowed	-	1.251.769	918.227	7.703.691	4.038.848	486.803	-	14.399.338
Money Market Borrowings	-	4.846.482	584.557	514.581	151.567	522.646	-	6.619.833
Securities Issued	-	708.661	909.764	1.846.517	2.804.351	62.284	-	6.331.577
Sundry Creditors	-	3.321.133	91.047	203.046	3.039.065	66.595	-	6.720.886
Other Liabilities (3)	-	1.494.292	531.036	772.042	1.161.794	316.067	12.113.720	16.388.951
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)	**-**	**253.881**	**210.516**	**550.128**	**1.802.009**	**17.668**	**-**	**2.834.202**
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 (5)	**-**	**682.951**	**1.432.264**	**4.438.990**	**2.025.020**	**325.772**	**4.279.013**	**13.184.010**
Prior period								
Total Assets	3.617.141	20.405.629	7.158.918	19.821.700	23.555.751	10.483.922	3.006.005	88.049.066
Total Liabilities	7.560.002	37.434.853	12.796.214	7.382.641	8.179.876	3.512.354	11.183.126	88.049.066
Liquidity Gap	**(3.942.861)**	**(17.029.224)**	**(5.637.296)**	**12.439.059**	**15.375.875**	**6.971.568**	**(8.177.121)**	**-**
Net Off- Balance Sheet Position (4)	**-**	**155.717**	**201.826**	**769.845**	**1.501.774**	**63.421**	**-**	**2.692.583**
Receivables from financial derivative instruments	-	18.432.215	9.932.419	23.640.835	22.132.466	4.386.397	-	78.524.332
Liabilities from derivative financial instruments	-	18.276.498	9.730.593	22.870.990	20.630.692	4.322.976	-	75.831.749
Non Cash Loans (5)	**-**	**433.440**	**830.347**	**3.479.655**	**2.007.868**	**70.982**	**3.653.534**	**10.475.826**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, , office stationery, and prepaid expenses are classified under this column.

Unallocated other liabilities include shareholders' equity amounting to TL 10.303.779, unallocated provisions and deferred tax liability amounting to TL 1.794.752.

(2) Financial Assets at Fair Value Through Profit/Loss include derivative financial assets held for hedging purposes amounting to TL 3.443.338

(3) Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 426.728

(4) Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet

(5) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Financial Liabilities according to the remaining maturities on the contract

The table below shows the maturity breakdown of the Bank's financial liabilities that are not classified as derivatives. These tables were prepared by taking the closest dates that the Bank will recognize its future cash flows. The interest payable through the said assets and liabilities are included in the tables below.

Current Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	136.155	1.196.628	576.800	68.381	-	-	1.977.964	1.972.985
Other Deposits	9.222.301	30.842.183	9.983.773	2.032.934	54.711	-	52.135.902	51.892.264
Payables to Money Market	-	4.850.497	588.722	523.273	164.215	577.095	6.703.802	6.619.833
Funds from other Financial Institutions	-	1.590.349	973.076	8.092.202	4.739.947	501.544	15.897.118	14.399.338
Securities Issued	-	843.524	947.567	3.802.838	1.257.304	64.963	6.916.196	6.331.577
Noncash Loans(*)	4.279.013	682.951	1.432.264	4.438.990	2.025.020	325.772	13.184.010	13.184.010

Prior Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total	Balance Sheet Value
Bank Deposits	26.037	1.250.819	269.432	12.797	-	-	1.559.085	1.556.770
Other Deposits	7.522.286	27.393.985	10.254.442	1.825.715	44.145	-	47.040.573	46.754.507
Payables to Money Market	-	3.663.531	804.042	39.965	-	326.705	4.834.243	4.809.261
Funds from other Financial Institutions	-	1.127.915	657.442	3.209.402	2.772.782	2.037.972	9.805.513	8.728.176
Securities Issued	-	350.294	335.131	1.809.961	3.873.003	76.084	6.444.473	5.826.987
Noncash Loans(*)	3.653.534	465.866	851.703	3.541.095	1.908.960	54.668	10.475.826	10.475.826

(*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

The table below shows the remaining maturity breakdown of the Bank's derivative assets and liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total
Forward contracts buying (**)	2.862.930	1.227.332	1.655.467	13.864	-	5.759.593
Forward contracts selling (**)	(2.925.301)	(1.224.732)	(1.672.828)	(13.534)	-	(5.836.395)
Swap contracts buying (*)	18.956.449	7.354.138	13.551.450	22.637.165	5.609.531	68.108.733
Swap contracts selling(*)	(18.594.212)	(7.115.960)	(12.702.683)	(20.270.400)	(5.591.864)	(64.275.119)
Futures buying	-	1.685	34.727	818	-	37.230
Futures selling	-	(1.685)	(34.727)	(818)	-	(37.230)
Options buying	1.238.728	2.669.901	849.133	-	-	4.757.762
Options selling	(1.257.010)	(2.727.322)	(847.706)	-	-	(4.832.038)
Other	-	-	282.544	600.406	-	882.950
Total	**281.584**	**183.357**	**1.115.377**	**2.967.501**	**17.667**	**4.565.486**

(*) Derivative financial assets held for cash flow hedges are included .
(**)Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward contracts buying (**)	2.789.765	900.955	950.963	26.906	-	4.668.589
Forward contracts selling (**)	(2.762.992)	(911.233)	(960.933)	(27.134)	-	(4.662.292)
Swap contracts buying (*)	13.654.416	6.106.849	20.904.399	22.047.408	4.386.399	67.099.471
Swap contracts selling(*)	(13.491.441)	(5.907.471)	(20.146.303)	(19.949.348)	(4.322.976)	(63.817.539)
Futures buying	45.984	45.918	192.195	-	-	284.097
Futures selling	(45.984)	(45.918)	(192.195)	-	-	(284.097)
Options buying	2.606.668	2.616.412	1.592.909	-	-	6.815.989
Options selling	(2.623.534)	(2.620.599)	(1.571.170)	-	-	(6.815.303)
Other	-	-	-	712.362	-	712.362
Total	**172.882**	**184.913**	**769.865**	**2.810.194**	**63.423**	**4.001.277**

(*) Derivative financial assets held for cash flow hedges are included.
(**)Include the Dated, Asset Value Buying and Selling obligations that are in Obligations

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VII. Explanations on Consolidated Leverage Ratio

a) Information in regards to the differences between current period and prior period leverage ratio:

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,28% (December 31, 2015: 6,67%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

b) Summary comparative table for total asset and total risk amount in consolidated financial statements prepared in accordance with TFRS:

		Current Period(**)	Prior Period(**)
1	Total asset amount in consolidated financial statements prepared in accordance with TFRS (*)	101.293.023	89.127.102
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 Communique on the Preparation of Consolidated Financial Statements	381.390	139.635
3	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	773.474	1.350.098
4	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique 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 Communique on the Preparation of Consolidated Financial Statements of off balance transactions	55.119.905	45.642.936
6	Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(335.210)	(345.909)
7	**Total Risk Amount**	**157.232.582**	**135.913.862**

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.

(**) Amounts presented above represent the arithmetic average of the last three months

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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)	96.302.179	83.470.143
(Assets deducted from capital stock)	335.210	345.909
Total risk amount related to Assets on Balance sheet	**95.966.969**	**83.124.234**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	5.372.234	5.796.594
Potential credit risk amount of derivative financial instruments and credit derivatives	773.474	1.350.098
Total risk amount related to derivative financial instruments and credit derivatives	**6.145.708**	**7.146.692**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	**-**	**-**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	55.725.410	46.196.301
(Adjustment amount sourcing from multiplying to credit conversion rates)	(605.505)	(553.365)
Total risk amount related to off-balance sheet transactions	**55.119.905**	**45.642.936**
Capital and Total Risk		
Core Capital	9.867.630	9.065.704
Amount of total risk	**157.232.582**	**135.913.862**
Financial leverage ratio	**6,28%**	**6,67%**
Financial leverage ratio	6,28%	6,67%

(*) Amounts stated in table shows the last quarter averages of related period.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VIII. Explanations related to presentation of financial assets and liabilities at their fair value

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

Fair value of held to maturity investments are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

Projected fair value of demand deposit represent the amount to be paid on demand. Fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of the deposits with fixed rates is determined by calculating discounted cash flows by using the market interest rates used for other liabilities with similar quality and maturities.

The fair value of funds provided from other financial institutions, is determined based on discounted cash flows using the current market interest rates.

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

	Carrying value		Fair value	
	Current Period	Prior Period	Current period	Prior period
Financial Assets	**80.963.644**	**69.146.287**	**80.660.652**	**68.594.745**
Banks	312.066	318.139	312.066	318.139
Receivables from Money Market	1.667.618	87.711	1.667.618	87.711
Loans and Receivables	62.614.093	57.062.195	62.366.527	56.535.835
Factoring Receivables	750.970	571.726	750.970	571.726
Leasing Receivables	2.686.277	1.936.952	2.775.831	1.946.155
Available for Sale Financial Assets	7.032.113	5.295.650	7.032.113	5.295.650
Securities Held to Maturity	5.900.507	3.873.914	5.755.527	3.839.529
Financial Liabilities	**87.936.883**	**73.199.131**	**88.043.806**	**73.228.719**
Bank Deposits	1.972.985	1.556.770	1.973.153	1.557.289
Other Deposits	51.892.264	46.754.507	51.916.704	46.764.514
Funds from Other Financial Institutions	14.399.338	8.728.176	14.322.946	8.635.554
Payables to Money Market	6.619.833	4.809.261	6.619.833	4.809.261
Securities Issued	6.331.577	5.826.987	6.490.284	5.938.671
Other Debts	6.720.886	5.523.430	6.720.886	5.523.430

TFRS 13, “Fair Value Measurement”, requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations.

Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	**6.999.467**	**6.319.452**	**-**	**13.318.919**
Financial Assets at Fair Value through Profit/Loss	50.811	-	-	50.811
Assets on Trading Derivatives	3.781	2.770.130	-	2.773.911
Investment Securities Available for Sale(*)	6.944.875	83.013	-	7.027.888
Loans and Receivables(**)	-	22.971	-	22.971
Hedging derivative financial assets	-	3.443.338	-	3.443.338
Financial Liabilities	**502**	**3.027.942**	**-**	**3.028.444**
Liabilities on Trading Derivatives	502	2.601.214	-	2.601.716
Derivative Financial Liabilities for Hedging Purposes	-	426.728	-	426.728

(*) Loans and Receivables are presented in "Financial Assets at Fair Value through Profit/Loss".
(**) Includes loans and receivables that are presented in "Financial Assets at Fair Value through Profit/Loss" and are closed before maturity.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	**5.379.917**	**5.476.076**	**47.354**	**10.903.347**
Financial Assets at Fair Value through Profit/Loss	83.954	-	-	83.954
Assets on Trading Derivatives	313	2.237.067	-	2.237.380
Investment Securities Available for Sale	5.295.650	-	-	5.295.650
Loans and Receivables(*)	-	-	47.354	47.354
Hedging derivative financial assets	-	3.239.009	-	3.239.009
Financial Liabilities	**273**	**2.439.635**	**-**	**2.439.908**
Liabilities on Trading Derivatives	273	2.156.191	-	2.156.464
Derivative Financial Liabilities for Hedging Purposes	-	283.444	-	283.444

(*) Loans and Receivables are presented in "Financial Assets at Fair Value through Profit/Loss".

Confirmation for fair value of financial assets under Level 3 is as below:

	Current Period	Prior Period
Opening Balance	**47.354**	**98.143**
Change in total gain/loss	(11.166)	(22.730)
Accounted in income statement	*(11.166)*	*(22.730)*
Accounted in other comprehensive income	-	-
Purchases	-	-
Disposals	-	-
Matured Loans(*)	(13.217)	(28.059)
Sales from Level 3	(22.971)	-
Closing Balance	**-**	**47.354**

(*) Includes loans and receivables that are presented in "Financial Assets at Fair Value through Profit/Loss" and are closed before maturity.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANS BANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2016

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED ASSETS

1. a) Cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	685.252	376.428	678.547	274.822
T.R. Central Bank	1.244.513	10.795.316	1.409.024	7.632.114
Others	96	2.279	522	2.016
Total	**1.929.861**	**11.174.023**	**2.088.093**	**7.908.952**

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.244.513	1.697.337	1.400.527	1.009.092
Restricted Time Deposits	-	9.097.979	8.497	6.623.022
Total	**1.244.513**	**10.795.316**	**1.409.024**	**7.632.114**

As of December 31, 2016, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on the maturity of deposits (December 31, 2015 – 5% to 11,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4,5% to 24,5% depending on the maturity of deposits and other liabilities (December 31, 2015 – 5% and 25%). In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15", the reserve requirements can be maintained as TL, USD, EUR and standard gold.

According to T. C. Central Bank press release No. 2014-72 dated October 21, 2014, starting from November 2014, interest is paid on reserve requirements held in TL. Additionally, according to T. C. Central Bank press release No. 2015-35 dated May 2, 2015, starting from May 5, 2015 interest is paid on USD reserve deposits, reserve options and unrestricted deposits.

2. Further information on financial assets at fair value through profit/loss (net amounts are expressed)

a) Information on Subject to repurchase agreements and given as Collateral /blocked Investment securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	23.752	2.831	19.808	-
Subject to repurchase agreement	7.092	-	24.533	-
Total	**30.844**	**2.831**	**44.341**	**-**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	106.629	-	52.806	-
Swap Transactions	2.464.878	144.158	1.936.192	123.192
Futures	-	388	-	313
Options	3.393	54.465	-	124.844
Other	-	-	-	33
Total	**2.574.900**	**199.011**	**1.988.998**	**248.382**

3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	26.882	1.726	10.209	1.178
Foreign	21.268	262.190	136	306.616
Foreign Head Offices and Branches	-	-	-	-
Total	**48.150**	**263.916**	**10.345**	**307.794**

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	141.028	49.361	12.409	10.112
USA and Canada	69.269	215.324	36.234	29.691
OECD Countries (*)	1.586	1.760	-	-
Off-shore Banking Regions	20.948	-	-	-
Other	1.984	504	-	-
Total	**234.815**	**266.949**	**48.643**	**39.803**

(*) Include OECD countries other than the EU countries, USA and Canada.

(**) Includes blocked placements amounting to TL 48.643 at foreign banks (December 31, 2015 - TL 39.803) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TP	YP	TP	YP
Domestic Transactions	**1.300.605**	**-**	-	-
T.R. Central Bank	-	-	-	-
Banks	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	**1.300.605**	**-**	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information on Investment securities available for sale

a) Information on investment securities available for-sale that are subject to repurchase agreement and given as Collateral /blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	252.663	807.931	573.686	459.933
Subject to repurchase agreements	1.017.007	2.003.627	1.403.911	1.419.256
Total	**1.269.670**	**2.811.558**	**1.977.597**	**1.879.189**

b) Investment securities available for sale

	Current Period	Prior Period
Debt securities	**7.250.707**	**5.392.394**
Quoted on a stock exchange (*)	7.250.707	5.392.394
Unquoted on a stock exchange	-	-
Share certificates	**49.457**	**4.988**
Quoted on a stock exchange (***)	27	626
Unquoted on a stock exchange	49.430	4.362
Impairment provision (-)	**(268.051)**	**(101.732)**
Total	**7.032.113**	**5.295.650**

(*) The Eurobond Portfolio amounting to TL 1.773.444 (December 31, 2015 - TL 1.520.298) which is accounted for as investment securities available for sale was hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as Investment Securities Available for Sale in order to be in line with balance sheet presentation.
(**) Includes "exchange traded mutual funds" amounting to TL 487 as at December 31, 2015.
(***) It includes 11.695 Type C Visa Inc shares transferred to Parent Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.

6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	**1.179**	**-**	**-**	**21.651**
Corporate Shareholders	1.179	-	-	21.651
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	80.379	-	74.844	-
Total	**81.558**	**-**	**74.844**	**21.651**

(*) Includes advances given to the bank personnel.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b) Information on the first and second group loans and other receivables including rescheduled or restructured loans

Cash Loans(*)	Performing Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized Loans	**57.844.827**	**1.302.740**	**-**	**4.169.852**	**1.703.818**	**-**
Discount Notes	809.364	-	-	10.011	-	-
Export Loans	1.314.659	-	-	192.243	-	-
Import Loans	19.170	-	-	-	-	-
Loans Given to Financial Sector	778.532	-	-	-	-	-
Retail Loans	13.432.368	247.454	-	775.308	267.795	-
Credit Cards	8.977.334	250.133	-	445.268	159.631	-
Other	32.513.400	805.153	-	2.747.022	1.276.392	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	**57.844.827**	**1.302.740**	**-**	**4.169.852**	**1.703.818**	**-**

(*) The loans and other receivables amounting to 22.971 (December 31, 2015 – TL 47.354) are classified under "Loans at Fair Value Through Profit/Loss" in the financial statements.

No. of Extensions	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	1.283.055	1.676.945
3, 4 or 5 times	18.364	24.856
Over 5 times	1.321	2.017
Total	**1.302.740**	**1.703.818**

Extension Periods	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0 - 6 months	423.620	495.297
6 -12 months	24.713	78.106
1 - 2 years	135.711	146.286
2 - 5 years	526.346	672.849
5 years and over	192.350	311.280
Total	**1.302.740**	**1.703.818**

c) Loans according to their maturity structure

Cash Loans (*)	Performing Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	**24.601.886**	**250.133**	**445.268**	**159.631**
Non-specialized Loans	24.601.886	250.133	445.268	159.631
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	**33.242.941**	**1.052.607**	**3.724.584**	**1.544.187**
Non-specialized Loans	33.242.941	1.052.607	3.724.584	1.544.187
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**57.844.827**	**1.302.740**	**4.169.852**	**1.703.818**

(*)The loans and other receivables amounting to TL 22.971 (December 31, 2015 – TL 47.354) are classified under "Loans at Fair Value Through Profit/Loss" in the financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Consumer Loans-TL	**321.300**	**12.444.716**	**12.766.016**	**160.463**
Housing Loans	1.694	5.034.151	5.035.845	75.598
Automobile Loans	103	24.558	24.661	228
Personal Need Loans	319.503	7.386.007	7.705.510	84.637
Other	-	-	-	-
Consumer Loans-FC Indexed	**-**	**7.911**	**7.911**	**12.019**
Housing Loans	-	7.586	7.586	11.443
Automobile Loans	-	-	-	-
Personal Need Loans	-	325	325	576
Other	-	-	-	-
Consumer Loans-FC	**-**	**-**	-	**-**
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Individual Credit Cards-TL	**7.288.148**	**388.325**	**7.676.473**	**85.869**
Installment	2.669.033	388.325	3.057.358	34.216
Non- Installment	4.619.115	-	4.619.115	51.653
Individual Credit Cards-FC	**2.847**	**-**	**2.847**	**23**
Installment	-	-	-	-
Non- Installment	2.847	-	2.847	23
Personnel Loans-TL	**7.844**	**42.286**	**50.130**	**342**
Housing Loans	-	625	625	3
Automobile Loans	-	1	1	-
Personal Need Loans	7.844	41.660	49.504	339
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	**28.391**	**-**	**28.391**	**45**
Installment	11.198	-	11.198	-
Non-Installment	17.193	-	17.193	45
Personnel Credit Cards-FC	**57**	**-**	**57**	**-**
Installment	-	-	-	-
Non-Installment	57	-	57	-
Overdraft Accounts-TL (Real Persons)	**1.125.464**	**-**	**1.125.464**	**85.331**
Overdraft Accounts-FC (Real Persons)	**-**	**-**	-	**-**
Total	**8.774.051**	**12.883.238**	**21.657.289**	**344.092**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

e) Information on commercial loans with installments and corporate credit cards

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Commercial Loans with Installment Facility – TL	**599.310**	**10.271.155**	**10.870.465**	**267.901**
Real Estate Loans	-	301.635	301.635	3.958
Automobile Loans	4.120	235.061	239.181	4.135
Personal Need Loans	595.190	9.734.459	10.329.649	259.808
Other	-	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**15.238**	**1.271.645**	**1.286.883**	**354.679**
Real Estate Loans	-	29.019	29.019	11.439
Automobile Loans	1.206	71.286	72.492	15.796
Personal Need Loans	14.032	1.171.340	1.185.372	327.444
Other	-	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-	-
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards –TL	**1.602.230**	**8.229**	**1.610.459**	**17.958**
Installment	444.800	8.229	453.029	5.052
Non-Installment	1.157.430	-	1.157.430	12.906
Corporate Credit Cards –FC	**476**	**-**	**476**	**4**
Installment	-	-	-	-
Non-Installment	476	-	476	4
Overdraft Accounts-TL (Legal Entities)	936.262	**-**	936.262	6.315
Overdraft Accounts-FC (Legal Entities)	**-**	**-**	-	-
Total	**3.153.516**	**11.551.029**	**14.704.545**	**646.857**

f) Loans according to borrowers (*)

	Current Period	Prior Period
Public	248.823	204.567
Private	61.765.856	56.152.102
Total	**62.014.679**	**56.356.669**

(*) The loans and other receivables amounting to TL 22.971 (December 31, 2015 – TL 47.354) are classified under "Loans at Fair Value Through Profit/Loss" in the financial statements.

g) Domestic and foreign loans (*)

	Current Period	Prior Period
Domestic Loans	61.732.410	56.069.107
Foreign Loans	282.269	287.562
Total	**62.014.679**	**56.356.669**

(*) The loans and other receivables amounting to TL 22.971 (December 31, 2015 – TL 47.354) are classified under "Loans at Fair Value Through Profit/Loss" in the financial statements.

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h) Loans granted to subsidiaries and associates

There are no loans granted to subsidiaries and associates

i) Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Loans and Receivables with Limited Collectability	73.566	94.174
Loans and Receivables with Doubtful Collectability	328.113	376.185
Uncollectible Loans and Receivables	2.850.084	2.591.420
Total	**3.251.763**	**3.061.779**

j) Non-performing loans (NPLs) (Net)

j.1) Non-performing loans and other receivables restructured or rescheduled

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
(Gross Amounts Before the Specific Provisions)	735	2.756	70.212
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	735	2.756	70.212
Prior Period			
(Gross Amounts Before the Specific Provisions)	2.471	7.336	96.276
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	2.471	7.336	96.276

j.2) Movement of non-performing loans (*):

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period End Balance	**470.874**	**752.365**	**2.591.420**
Additions (+)	1.789.659	66.546	140.965
Transfers from Other Categories of Non-Performing Loans (+)	-	1.711.726	1.699.999
Transfers to Other Categories of Non-Performing Loans (-)	1.711.726	1.699.999	-
Collections (-)	180.953	174.010	384.225
Write-offs (-) (*)	**15**	**403**	**1.198.075**
Corporate and Commercial Loans	-	-	221.780
Consumer Loans	15	402	331.745
Credit Cards	-	1	644.550
Others	-	-	-
Current Period End Balance	**367.839**	**656.225**	**2.850.084**
Specific Provision (-)	73.566	328.113	2.850.084
Net Balances on Balance Sheet	**294.273**	**328.112**	**-**

(*) Credit receivables at an amount of TL 1.195.218, whose legal proceedings have begun, have been sold at a cash value of TL 163.406.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

j.3) Information on foreign currency of non-performing loans and other receivables

None (December 31, 2015 – None).

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups

	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)	**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)	-	-	-
Prior Period (Net)	**368.232**	**375.461**	**-**
Loans to Real Persons and Legal Entities (Gross)	460.289	750.927	2.561.505
Specific provision (-)	(92.057)	(375.466)	(2.561.505)
Loans to Real Persons and Legal Entities (Net)	368.232	375.461	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	25.269
Specific provision (-)	-	-	(25.269)
Other Loans and Receivables (Net)	-	-	-

k) Liquidation policies for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Parent Bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Parent Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

l) Explanations on write-off policy

Unrecoverable non-performing loans in legal follow-up, with no collateral that are deemed as uncollectible are written off by the Board of Directors' decision, in accordance with the laws and regulations.

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7. Information on factoring receivables

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Short Term	669.607	52.491	540.996	26.734
Medium and Long Term	28.872	-	3.996	-
Total	**698.479**	**52.491**	**544.992**	**26.734**

As of December 31, 2016 and December 31, 2015, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	26.084	13.446
Provided Provision / (reversal), Net	11.854	13.403
Collections	(1.126)	(765)
Written off	(15.987)	-
Current Period End Balance	**20.825**	**26.084**

8. Information on investment securities held-to-maturity

a) Information on Subject to repurchase agreements and given as Collateral/blocked Investment securities available for sale

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Given as Collateral / Blocked	566.844	125.217	96.191	-
Subject to repurchase agreements	490.816	2.319.421	1.417.955	847.881
Total	**1.057.660**	**2.444.638**	**1.514.146**	**847.881**

b) Information on financial government debt securities held-to-maturity

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Government Bond	3.383.952	1.471.352	3.009.964	110.652
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	444.242	-	-
Total	**3.383.952**	**1.915.594**	**3.009.964**	**110.652**

c) Information on investment securities held-to-maturity

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Debt Securities	**3.383.952**	**2.516.555**	**3.009.964**	**863.950**
Publicly-traded	3.383.952	2.516.555	3.009.964	863.950
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	**3.383.952**	**2.516.555**	**3.009.964**	**863.950**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Movement of held-to-maturity investments

	Current Period	Prior Period
Value at the beginning of the period	**3.873.914**	**3.727.223**
Exchange differences on monetary assets	369.033	171.250
Acquisitions during the year	1.478.607	290.680
Disposals through sales and redemptions	-	(512.035)
Provision for losses (-)	-	-
Valuation Effect	178.953	196.796
The sum of end of the period	**5.900.507**	**3.873.914**

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	-

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	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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, 2015 - None).

9.5. Valuation of investments in associates

	Current Period	Prior Period
Valued at Cost	3.766	3.766
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**3.766**	**3.766**

9.6. Investments in associates sold during the current period

None (December 31, 2015 - None).

10. Investments in subsidiaries (Net)

a) Information on the Parent Bank's unconsolidated subsidiaries:

Subsidiaries below have not been consolidated since they are non financial investments, they are instead valued by cost method.

	Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. Ve Tic. A.Ş.	Istanbul/Turkey	%99,91	%99,99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	%51,00	%51,00

(*)	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	46.484	24.071	16.365	-	-	1.437	1.538	-
2.	10.150	3.533	6.049	-	-	(1.602)	(1.248)	-

(*) Current year information is based on December 31, 2016 financials. Prior year profit and loss amounts are based on December 31, 2015 financials.

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b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries(*)

	Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Finans Yatırım Menkul Değerler A.Ş. (*)	İstanbul/Turkey	99,80	100
2.	Finans Finansal Kiralama A.Ş. (**)	İstanbul/Turkey	99,40	99,40
3.	Hemenal Finansman A.Ş. (***)	İstanbul/Turkey	100,00	100,00
4.	Finans Portföy Yönetimi A.Ş. (*)	İstanbul/Turkey	0,03	100,00
5.	Finans Faktoring A.Ş.	İstanbul/Turkey	99,99	100,00

(*)It's been decided to purchase nominal price shares which amounting to TL 100.024 and TL 1.000 corresponding to 0,20% and 0,02% paid capital ratios of Finans Yatırım Menkul Değerler A.Ş. and Finans Portföy Yönetimi A.Ş. and owned by QNB by paying total TL 44.330 and TL 523 respectively according to board management decisions taken by Parent Bank on August 11, 2016 and to vest with headquarters for accomplishing this purchase process.

(**)On February 3, 2016 in accordance with the Board of Directors of Bank, it is been decided to acquire 3.434.632 shares NBG owns in Finans Finansal Kiralama A.Ş. representing the %29,87 of Finans Finansal Kiralama's equity and with TL 34.346 nominal amount for TL 128.112. Subject share transfer has occurred on February 8, 2016. Together with this transaction, the Parent Bank's share in Finans Finansal Kiralama A.Ş. has reached 80,92%. On June 15, 2016, as a result of the Bank's share directly acquired by the QNB, administration of Finans Finansal Kiralama A.Ş. has been transferred to the QNB indirectly, the share of QNB in Finans Finansal Kiralama A.Ş. capital exceeds 97%. In accordance with the Communique on Right of Squeeze out and Sale issued by CMB numbered II-27.2, the right of sale of the other shareholder's has become effective within a period of foreclosure of three months (June16, 2016 - September 16, 2016). As of December 31, 2016, the Bank's share in Finans Finansal Kiralama A.Ş. has reached from 80,92% to 81,41% as a result of use of aforementioned right by other shareholders except from controlling shareholder QNB It is decided to acquire shares traded in Stock Exchange having a nominal value of TL 11.242 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17,99% of total paid capital of Finans Finansal Kiralama A.Ş. and shares not traded in Stock Exchange and having a nominal value of TL 9.444 with a total consideration of TL 77.570 in accordance with Board of Directors resolution dated November 29, 2016 and aforementioned share transfer transaction has been completed on December 15, 2016.

(***) As of November 9, 2015, acquisition of PSA Finansman Anonim Şirketi has been approved by BRSA and share transfer of subject company has been completed as of 14 December 2015. Additionally, the trade name of PSA Finansman Anonim Şirketi has been changed to Hemenal Finansman Anonim Şirketi as of April 18, 2016.

Information on subsidiaries in the order as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (*)
1.	268.236	127.977	3.549	9.806	1.930	36.216	27.867	76.012
2.	2.807.421	667.751	3.533	226.235	-	58.677	51.562	481.843
3.	28.615	25.601	4.427	532	-	(2.771)	(1.486)	-
4.	13.650	12.314	137	1.416	2	328	1.733	-
5.	771.472	65.692	1.395	99.837	-	7.080	3.090	64.364

(*) Fair values of publicly traded subsidiaries reflect their Borsa Istanbul (BIST) values as of the balance sheet date.

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b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	**324.954**	**426.813**
Movements during the Period	**322.618**	**(101.859)**
Purchases(*)	248.078	18.395
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals(**)	-	(14.512)
Changes Due to Reclassification	-	-
Revaluation Difference	74.540	(105.742)
Impairment Provision	-	-
Balance at the End of the Period	**647.572**	**324.954**
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. In previous period, Finans Faktoring A.Ş. increased its capital at an amount of TL 10.000 through paid capital increase. PSA Finansman A.Ş., whose share transfer transactions have been completed as of December 14, 2015, has been purchased with a consideration amounting to TL 8.395.

(**) Represents the cash outflow as a result of liquidation of Finans Yatırım Ortaklığı A.Ş. realized as of December 7, 2015.

b.3) Sectoral distribution of the consolidated subsidiaries

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	64.358	40.918
Leasing Companies	478.959	206.691
Finance Companies	28.395	8.395
Other Subsidiaries	75.860	68.950
Total	**647.572**	**324.954**

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	478.959	206.691
Quoted on International Stock Exchanges	-	-
Total	**478.959**	**206.691**

b.5) Explanation to capital adequacy of the significant subsidiaries

None.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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/Türkiye	49,00%	49,00%
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	İstanbul/Türkiye	33,33%	33,33%

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/ Loss	Prior Period Profit/Loss	Company's Fair Value
1.	1.021.159	91.032	15.017	-	-	31.097	15.066	-
2.	50.073	28.761	24.912	-	-	7.942	7.495	-

12. Information on finance lease receivables (Net)

12.1. Maturity analysis of financial lease receivables

		Current Period		Prior Period
Less than 1 year	1.156.685	958.274	882.384	743.014
Between 1-4 years	1.717.199	1.474.143	1.217.954	1.056.664
Over 4 years	276.577	253.860	150.502	137.274
Total	**3.150.461**	**2.686.277**	**2.250.840**	**1.936.952**

Finance lease receivables include non-performing finance lease receivables amounting to TL 179.285 (December 31, 2015 – TL 130.767) and specific provisions amounting to TL 114.477 (December 31, 2015 – TL 74.316).

Changes in non-performing finance lease receivables provision as of December 31, 2016 and December 31, 2015, are as follows:

	Current Period	Prior Period
End of prior period	74.316	96.339
Provided provision / (reversal), Net	41.733	23.963
Collections	(1.572)	(1.463)
Written off	-	(44.523)
Provision at the end of the period	**114.477**	**74.316**

12.2. Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	3.150.461	2.250.840
Unearned Finance Income (-)	(464.184)	(313.888)
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**2.686.277**	**1.936.952**

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.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

13. Information on hedging purpose derivatives:

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
Fair Value Hedge (*)	2.346.595	18.509	2.292.114	18.069
Cash Flow Hedge	1.063.182	15.052	927.791	1.035
Net Investment Hedge	-	-	-	-
Total	**3.409.777**	**33.561**	**3.219.905**	**19.104**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2016, TL 14.060 (December 31, 2015 - TL 3.991) from securities, TL 3.151 (December 31, 2015 - TL 14.078) from securities issued, TL 1.298 (December 31, 2015 – none) from funds borrowed, and TL 2.346.595 (December 31, 2015 - TL 2.292.114) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans.

14. Explanations on tangible assets

	Land and Buildings	Fixed Assets under Finance Lease	Vehicles	Other Fixed Assets	Total
Prior Period End					
Cost	1.189.380	264.125	1.418	1.169.502	2.624.425
Accumulated Depreciation(-)	26.599	240.054	1.302	774.961	1.042.916
Net Book Value	**1.162.781**	**24.071**	**116**	**394.541**	**1.581.509**
Current Period End					
Cost at the Beginning of the Period	**1.189.380**	**264.125**	**1.418**	**1.169.502**	**2.624.425**
Additions (*)	-	-	-	-	-
Transfer(-)	245.967	64	699	151.373	398.103
Disposals (-)	111	3	163	21.109	21.386
Impairment (-)/ (increase)	(29)	-	-	-	(29)
Current Period Cost	**1.435.265**	**264.186**	**1.954**	**1.299.766**	**3.001.171**
Accumulated Depreciation at the Beginning of the Period	**26.599**	**240.054**	**1.302**	**774.961**	**1.042.916**
Disposals (-)	-	-	-	-	-
Transfer (-)	222	1	163	20.337	20.723
Depreciation amount	11.394	3.052	327	125.897	140.670
Accumulated Depreciation at the End of the Period (-)	**37.771**	**243.105**	**1.466**	**880.521**	**1.162.863**
Net Book Value at the End of the Period	**1.397.494**	**21.081**	**488**	**419.245**	**1.838.308**

(*)As mentioned in Section 5 footnote 3.1.d, the fair value currency difference income of 239.377 TL (the amortized) that belongs to the real estate, subject to the accounting of protection from the fair value risk by the Bank, is shown in the "Entries" line of the Financial Fixed Assets movement table.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements: Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss of TL 29 has been booked. (December 31, 2015 - TL 29 impairment loss has been booked).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this:

None (December 31, 2015- None)

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:

None (December 31, 2015- None).

15. Explanations on Intangible Assets

	Rights	Goodwill	Total
Prior Period End			
Cost	716.350	-	716.350
Accumulated Amortization(-)	446.310	-	446.310
Net Book Value	**270.040**	**-**	**270.040**
Current Period End			
Cost at the Beginning of the Period	**716.350**	**-**	**716.350**
Costs related to acquisition of subsidiary	-	-	-
Additions	127.071	-	127.071
Disposals (-)	368	-	368
Value Decrease (-)/ (increase)	-	-	-
Current Period Cost	**843.053**	**-**	**843.053**
Acc. Amort. At the Beginning of the Period	**446.310**	**-**	**446.310**
Accrued amortization related to acquisition of subsidiary	-	-	-
Disposals(-)	1	-	1
Amortization charge	108.526	-	108.526
Current Period Accumulated Amortization(-)	**554.835**	**-**	**554.835**
Net Book Value-End of the Period	**288.218**	**-**	**288.218**

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:
None (December 31, 2015- None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:
None (December 31, 2015- None).

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:
None (December 31, 2015- None).

d) The book value of intangible fixed assets that are pledged or restricted for use:
None (December 31, 2015- None).

e) Amount of purchase commitments for intangible fixed assets:
None (December 31, 2015- None).

f) Information on revalued intangible assets according to their types:
None (31 December 2015- None).

g) Amount of total research and development expenses recorded in income statement within the period if any:
Amount of total research expenses recorded in income statement within the period is TL 2.947 (December 31, 2015 – TL 5.740).

h) Positive or negative consolidation goodwill on entity basis:
None (December 31, 2015 – None).

i) Information on book value of goodwill at the beginning of the period, end of the period and movement for the period:
The details have been disclosed at explanations and disclosures related to asset section, at disclosure 15.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

16. Explanations on investment property

None (December 31, 2015- None).

17. Information on tax asset

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements.

Deferred tax asset is TL 66.967 (December 31, 2015 – TL 100.943) and there is no deferred tax liability (December 31, 2015- None) after deferred tax asset and liability balances in the financial statements of the consolidated subsidiaries are netted off separately.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 105.701 are netted under equity. (December 31, 2015 – TL 53.256 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/ (Liabilities)	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Provision for Employee Rights	295.428	250.505	59.086	50.101
Difference Between the Book Value of Financial Assets and Tax Base	503.152	433.187	100.630	86.637
Other	798.914	356.428	159.783	71.286
Deferred Tax Assets			**319.499**	**208.024**
Difference Between the Book Value Financial Fixed Assets and Tax Base				
Difference Between the Book Value of Financial Assets and Tax Base	(205.128)	(194.138)	(41.026)	(38.828)
Other	(799.389)	(85.255)	(159.878)	(17.051)
Deferred Tax Liabilities	(258.139)	(256.008)	(51.628)	(51.202)
Deferred Tax Assets/(Liabilities), Net			**(252.532)**	**(107.081)**
			66.967	**100.943**

	Current Period 01.01-31.12.2016	Prior Period 01.01-31.12.2015
Deferred Tax as of January 1 Asset/ (Liability)- Net	100.943	60.691
Deferred Tax (Loss) / Gain	(86.421)	21.540
Deferred Tax that is Realized Under Shareholder's Equity	52.445	18.712
December 31 Deferred Tax Asset/ (Liability) - Net	**66.967**	**100.943**

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18. Information on assets held for sale and discontinued operations

As of December 31, 2016, the Bank's assets held for sale is nil (December 31, 2015: None).

19. Information on other assets:

19.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Other Prepaid Expenses	468.158	355.425
Collateral Given for Derivative Transactions	401.899	120.904
Assets Held for Resale (net)	367.420	220.249
Cheques Receivables from Other Banks	212.792	271.452
Miscellaneous Receivables	105.524	76.491
Prepaid rent expenses	34.200	38.970
Prepaid Agency Commissions	3.083	14.330
Advances Given	2.749	4.380
Other	57.129	108.651
Total	**1.652.954**	**1.210.852**

19.2 If other assets exceed 10% of total assets, excluding off balance sheet commitments, the names and the balances of these accounts, the name and the amount of the subaccounts which create at least 20% of them are:

Details of the other assets are described in note 19.1 section of disclosure.

20. Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments Held for Hedging	3.409.777	33.561	3.219.905	19.104
Assets on Trading Derivatives	2.574.900	199.011	1.988.998	248.382
Loans	708.533	215.444	933.534	131.096
Investment securities held to maturity	68.347	28.291	73.776	10.784
Lease Receivables	10.001	6.762	7.115	8.652
Central Bank	14.264	13	8.497	-
Trading Securities	583	(387)	1.147	18
Banks	1.663	4	37	-
Investment Securities Available for Sale	(23.660)	(181.297)	43.025	52.031
Other Accruals	19.207	1.057	17.759	1.521
Total	**6.783.615**	**302.459**	**6.293.793**	**471.588**

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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	**2.518.720**	**-**	**2.909.327**	**14.654.307**	**459.007**	**277.111**	**783.479**	**2.809**	**21.604.760**
Foreign Currency Deposits	**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**

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	**1.836.314**	**-**	**2.453.079**	**13.626.243**	**628.259**	**260.686**	**880.499**	**3.002**	**19.688.082**
Foreign Currency Deposits	**3.308.178**	**-**	**1.962.058**	**11.091.252**	**866.874**	**169.550**	**436.221**	**3.306**	**17.837.439**
Residents in Turkey	3.250.191	-	1.939.519	10.758.820	839.704	159.101	395.311	3.306	17.345.952
Residents Abroad	57.987	-	22.539	332.432	27.170	10.449	40.910	-	491.487
Public Sector Deposits	**236.348**	**-**	**509**	**137.003**	**408**	**387**	**76**	**-**	**374.731**
Commercial Deposits	**1.729.189**	**-**	**1.624.291**	**3.542.286**	**345.933**	**115.456**	**178.330**	**-**	**7.535.485**
Other Ins. Deposits	**35.463**	**-**	**104.997**	**662.999**	**10.997**	**5.763**	**67.858**	**-**	**888.077**
Precious Metal Deposits	**376.794**	**-**	**-**	**4.325**	**101**	**-**	**49.473**	**-**	**430.693**
Bank Deposits	**26.037**	**-**	**133.860**	**1.194.672**	**189.475**	**12.244**	**482**	**-**	**1.556.770**
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	7.652	-	110.195	105.521	-	-	-	-	223.368
Foreign Banks	18.385	-	23.665	1.089.151	189.475	12.244	482	-	1.333.402
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**7.548.323**	**-**	**6.278.794**	**30.258.780**	**2.042.047**	**564.086**	**1.612.939**	**6.308**	**48.311.277**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit:

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	11.407.962	10.434.904	10.196.172	9.249.580
Foreign Currency Savings Deposits	2.822.431	2.473.087	11.965.439	9.041.063
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**14.230.393**	**12.907.991**	**22.161.611**	**18.290.643**

1.2. Savings deposits in Turkey are not covered under insurance in another country since the headquarter of the Group is not located abroad.

1.3. Savings deposits that are not covered under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Deposits and accounts in branches abroad	51.038	5.707
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	41.646	61.131
Deposits obtained through illegal acts defined in the 282nd 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	**92.684**	**66.838**

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	199.244	-	53.207	-
Swaps	2.187.607	163.987	1.829.702	153.242
Futures	-	334	-	273
Options	168	50.376	-	120.040
Other	-	-	-	-
Total	**2.387.019**	**214.697**	**1.882.909**	**273.555**

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3. Information on funds borrowed:

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	435.660	648.879	377.357	591.563
Foreign Banks, Institutions and Funds	109.792	9.969.214	124.573	4.972.564
Total	**545.452**	**10.618.093**	**501.930**	**5.564.127**

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	373.918	3.591.389	406.735	1.967.604
Medium and Long-Term	171.534	7.026.704	95.195	3.596.523
Total	**545.452**	**10.618.093**	**501.930**	**5.564.127**

Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Credits obtained predominantly consist of funds provided by financial institutions abroad having different characteristics and maturity-interest structure such as syndication, securitization, post-financing. There exist no risk concentration on the fund sources of the Bank.

c) Additional information on concentrations of the Group's liabilities

As of December 31, 2016, the Group's liabilities comprise; 52% deposits (December 31, 2015 – 55%), 11% funds borrowed (December 31, 2015 – 7%), 6% issued bonds (December 31, 2015 – 7%) and 5% funds provided under repurchase agreements (December 31, 2015 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**1.493.621**	**-**	**2.801.758**	**-**
Financial institutions and organizations	1.465.707	-	2.760.367	-
Other institutions and organizations	10.315	-	10.130	-
Real persons	17.599	-	31.261	-
From foreign transactions	**8.413**	**3.519.709**	**2.410**	**1.857.920**
Financial institutions and organizations	-	3.519.709	-	1.857.920
Other institutions and organizations	8.413	-	2.241	-
Real persons	-	-	169	-
Total	**1.502.034**	**3.519.709**	**2.804.168**	**1.857.920**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	1.749.202	53.683	770.076	-
Bills	112.064	4.416.628	71.075	4.985.836
Total	**1.861.266**	**4.470.311**	**841.151**	**4.985.836**

The Parent Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 2 Billion.

6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceed 20% of the individual liability item in the consolidated balance sheet

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2015 – Does not exceed 10%).

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2015 – None).

7.2. Financial lease payables

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

7.3. Information on operational lease

Operational lease payments are recognized as an expense in the income statement on a straight-line basis over the lease terms. The Bank arranges operating lease arrangements for some of its ATM and branches. The lease contract is done on a yearly basis and the payment is made upfront each year and realized as an expense under the “Other Assets” account.

7.4. Information on “Sale -and- lease back” agreements

The Group does not have any sale-and-lease back transactions in the current period (December 31, 2015 – None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	-	190.559	-	178.808
Cash Flow Hedge (**)	196.239	39.930	60.229	44.407
Net Investment Hedge	-	-	-	-
Total	**196.239**	**230.489**	**60.229**	**223.215**

(*) Derivative financial instruments for hedging purposes include swaps. As of December 31, 2016, TL 27.211 (December 31, 2015 – TL 25.804) represents the fair value of derivatives which are the hedging instruments of hedged loan portfolio, TL 163.348 (December 31, 2015 –TL 152.099) represents the securities. As of December 31, 2016, fair value of derivatives which are hedging instruments of hedged borrowings is none (December 31, 2015 – TL 905).
(**) 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	967.669	905.191
-Additional Provision for Loans and Receivables with Extended Maturities	50.911	52.253
Provisions for Loans and Receivables in Group II	181.934	167.383
-Additional Provision for Loans and Receivables with Extended Maturities	49.750	38.079
Provisions for Non - Cash Loans	99.685	85.275
Other	39.124	32.554
Total	**1.288.412**	**1.190.403**

9.2. Provision for currency exchange gain/loss on foreign currency indexed loans

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans (*)	438	20.065

(*) The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.

9.3. Specific provisions for non cash loans that are not indemnified and converted into cash

The specific provision for non cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 41.241 (December 31,2015 - TL 36.736).

9.4 Information on employee termination benefits and unused vacation accrual

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2016, TL 144.405 (December 31, 2015 - TL 130.051) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2016, the Group accrued TL 42.565 (December 31, 2015 - TL 36.821) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2016, TL 108.458 (December 31, 2015 – TL 83.633) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.4.1 Movement of employee termination benefits

	Current Period 01.01-31.12.2016	Prior Period 01.01-31.12.2015
As of January 1	130.051	120.546
Service cost	18.910	18.854
Interest Cost	13.906	9.765
Settlement / curtailment / termination loss	11.571	8.756
Actuarial Difference	(2.525)	(5.110)
Paid during the period	(27.508)	(22.760)
Total	**144.405**	**130.051**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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
Provision for Closely Monitored Loans	39.901	106.241
Provision for Promotion Expenses of Credit Cards	7.707	6.458
General Reserves for Possible Risks	-	100.000
Other Provisions	122.063	87.298
Total	**169.671**	**299.997**

As at December 31, 2016, the Parent Bank has made a provision for watch list loans amounting to TL 39.901 December 2015 – 106.241) based on collection rates for subject loans.

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2016, the Group has current tax liability of TL 208.292 (December 31, 2015 - TL 223.245) and advance taxes of TL 10.194 TL (December 31, 2015 - TL 165.664).

The current tax liability and the advance taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of December 31, 2016, after the offsetting, the current tax liability amounting to TL 198.098 (December 31, 2015 – TL 57.581) is disclosed with current tax receivable TL 4.737 (December 31– 6.846 TL)

10.1.2.Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	198.098	57.581
Taxation on Securities Income	42.253	48.440
Taxation on Real Estates Income	2.013	2.008
Banking and Insurance Transaction Tax (BITT)	52.974	50.131
VAT Payable	167	334
Other	28.119	23.552
Total	**323.624**	**182.046**

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	16.523	7.806
Social Security Premiums - Employer Share	17.711	8.525
Pension Fund Fee and Provisions – Employee Share	13	5
Pension Fund Fee and Provisions – Employer Share	42	15
Unemployment Insurance - Employee Share	1.164	551
Unemployment Insurance - Employer Share	2.320	1.100
Other	21	13
Total	**37.794**	**18.015**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

11. Information on payables related to assets held for sale

None. (December 31, 2015- None)

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	**FC**	**TL**	**FC**
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	3.235.793	-	2.662.119
From Other Foreign Institutions	-	-	-	-
Total	**-**	**3.235.793**	**-**	**2.662.119**

The Parent Bank received USD 650 million of subordinated loans during 2008 and USD 325 million of subordinated loans during 2009 from its former main shareholder, National Bank of Greece S.A. The loan amounting to USD 325 million which was received in 2008 was paid back in 2010 to be used in capital increase. In addition, the Parent Bank received USD 260 million of subordinated loans in 2011 from National Bank of Greece S.A. Aforementioned subordinated loans are subject to interest payment every 6 months and principal payment at maturity. USD 585 million of existing subordinated loans will mature in 2021, USD 325 million will mature in 2020. In accordance with the share purchase agreement signed on 21 December 2015, mentioned subordinated loans was transferred to QNB as of June 15, 2016 with remaining unchanged all terms and conditions.

13. Information on shareholder's equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3.150.000	3.000.000
Preferred Stock	-	-

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	12.000.000	12.000.000

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period.

Increase Date	Increase Amount	Cash	Profit Reserves held subject to the Increase	Capital Reserves held subject to the Increase
October 27, 2016	150.000	-	150.000	-

13.4. Information on share capital increases from revaluation funds

None (December 31, 2015 - None).

13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The Group does not have any capital commitments, all of the capital is fully paid-in.

13.6. Prior periods' indicators related with the Parent Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Parent Bank's equity

None (December 31, 2015 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

13.7. Information on the privileges given to stocks representing the capital

None (December 31, 2015 - None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	31.500.000	30.000.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	714	714
Common Stock Withdrawal Profits	-	-

(*) 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	**(40.675)**	**(379.478)**	**(65.962)**	**(178.297)**
Valuation Differences	(40.675)	(379.478)	(65.962)	(178.297)
Foreign Exchange Rate Differences	-	-	-	-
Total	**(40.675)**	**(379.478)**	**(65.962)**	**(178.297)**

16. Accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liabilities side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Deposits	207.471	29.298	206.708	21.995
Derivative Financial Liabilities Held for Trading	2.387.019	214.697	1.882.909	273.555
Funds Borrowed	5.337	80.606	16.943	49.026
Money Market Borrowings	1.293	8.699	2.349	4.811
Derivative Financial Liabilities Held for Hedging	196.239	230.489	60.229	223.215
Issued Securities	2.064	40.054	1.075	44.863
Other Accruals	94.879	125	44.824	78
Total	**2.894.302**	**603.968**	**2.215.037**	**617.543**

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SECTION FIVE

III. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Information related to consolidated off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Commitment For Use Guaranteed Credit Allocation	19.365.124	14.365.003
Credit Cards Limit Commitments	16.396.189	16.255.578
Payment Commitments for Cheques	2.707.388	2.558.758
Other Irrevocable Commitments	1.580.388	567.592
Forward Asset Purchase Commitments	1.216.540	803.658
Capital commitments of associates and subsidiaries	30.000	-
Commitments for promotions related with credit cards and banking activities	19.721	34.278
Tax and Fund Liabilities due to Export Commitments	10.267	8.479
Total	**41.325.617**	**34.593.346**

1.2. Type and amount of possible losses from off-balance sheet items

Specific provision is provided for the non-cash loans amounting to TL 41.241 (December 31, 2015 – TL 36.736) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet. Tax and Fund Liabilities due to Export Commitments.

1.3. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	1.255.477	795.562
Letters of Credit	1.121.818	651.319
Other Guarantees	-	-
Total	**2.377.295**	**1.446.881**

1.4. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	719.081	373.483
Final Letters of Guarantee	5.179.891	4.716.970
Advance Letters of Guarantee	500.730	457.160
Letters of Guarantee Given to Customs Offices	347.024	325.424
Other Letters of Guarantee	4.059.989	3.155.908
Total	**10.806.715**	**9.028.945**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**1.116.069**	**771.408**
Less Than or Equal to One Year with Original Maturity	256.881	95.968
More Than One Year with Original Maturity	859.188	675.440
Other Non-Cash Loans	**12.067.941**	**9.704.418**
Total	**13.184.010**	**10.475.826**

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANS BANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2016

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**34.061**	**0,47**	**6.774**	**0,11**	**28.986**	**0,48**	**6.200**	**0,14**
Farming and Raising Livestock	32.713	0,46	265	-	26.741	0,44	6.149	0,14
Forestry	251	-	-	-	963	0,02	-	-
Fishing	1.097	0,02	6.509	0,11	1.282	0,02	51	-
Manufacturing	**1.047.136**	**14,60**	**2.993.067**	**49,78**	**1.083.869**	**18,04**	**2.298.573**	**51,46**
Mining and Quarrying	49.329	0,69	32.428	0,54	52.298	0,87	19.420	0,43
Production	836.199	11,66	2.381.804	39,61	813.184	13,53	1.676.460	37,54
Electricity, gas and water	161.608	2,25	578.835	9,63	218.387	3,63	602.693	13,49
Construction	**2.243.853**	**31,29**	**807.527**	**13,43**	**1.536.308**	**25,56**	**767.217**	**17,18**
Services	**3.748.165**	**52,27**	**2.155.411**	**35,85**	**3.268.772**	**54,39**	**1.371.772**	**30,71**
Wholesale and Retail Trade	2.186.915	30,50	876.553	14,58	1.938.370	32,26	580.540	13,00
Hotel, Food and Beverage Services	101.628	1,42	84.316	1,40	76.266	1,27	72.025	1,61
Transportation&Communication	182.535	2,55	212.038	3,53	129.391	2,15	61.789	1,38
Financial Institutions	753.766	10,51	726.130	12,08	665.350	11,07	487.465	10,91
Real Estate and Renting Services	3.484	0,05	2.114	0,04	4.145	0,07	2.574	0,06
Self Employment Services	257.428	3,59	46.888	0,78	211.077	3,51	36.507	0,82
Educational Services	5.747	0,08	-	-	6.667	0,11	-	-
Health and Social Services	256.662	3,58	207.372	3,45	237.506	3,95	130.872	2,93
Other	**97.791**	**1,36**	**50.225**	**0,84**	**91.507**	**1,52**	**22.622**	**0,51**
Total	**7.171.006**	**100,00**	**6.013.004**	**100,00**	**6.009.442**	**100,00**	**4.466.384**	**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	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.

	I. Group		II. Group	
Prior Period(*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	5.950.440	3.038.895	2.874	-
Bill of Exchange and Acceptances	23.085	772.186	-	291
Letters of Credit	5.002	646.317	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**5.978.527**	**4.457.398**	**2.874**	**291**

(*) Does not include non-cash loans amounting to TL 36.736 for which provision is provided, but which are not indemnified and not liquidated yet.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information related to derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**99.583.814**	**105.822.669**
Forward transactions (*)	11.595.988	9.330.881
Swap transactions	78.323.566	82.827.776
Futures transactions	74.460	32.720
Option transactions	9.589.800	13.631.292
Interest Related Derivative Transactions (II)	**16.261.062**	**11.990.098**
Forward rate transactions	-	-
Interest rate swap transactions	16.261.062	11.454.624
Interest option transactions	-	-
Futures interest transactions	-	535.474
Security option transactions	-	-
Other trading derivative transactions (III)	**882.950**	**712.362**
A. Total Trading Derivative Transactions (I+II+III)	**116.727.826**	**118.525.129**
Types of hedging transactions		
Fair value hedges	15.094.984	17.764.451
Cash flow hedges	22.704.240	18.870.159
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**37.799.224**	**36.634.610**
Total Derivative Transactions (A+B)	**154.527.050**	**155.159.739**

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

Breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current 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.

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TL	2.708.325	1.455.137	20.079.557	30.812.688	2.727.400	2.459.930	347	347	-
USD	1.098.411	2.750.074	41.217.474	28.854.994	2.587.585	2.852.748	283.750	283.750	712.362
Euro	797.778	386.959	5.512.546	3.263.619	1.500.712	1.501.634	-	-	-
Other	64.075	70.122	289.895	886.237	292	991	-	-	-
Total	**4.668.589**	**4.662.292**	**67.099.472**	**63.817.538**	**6.815.989**	**6.815.303**	**284.097**	**284.097**	**712.362**

(*) This column also includes hedging purpose derivatives.
(**)This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

5.1 Fair value hedge accounting

a) Loans

The Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 3.532.426 (December 31, 2015 – TL 4.352.016) were subject to hedge accounting by swaps with a nominal of TL 3.456.411 (December 31, 2015 – TL 4.378.077). December 31, 2016 the net market valuation difference gain amounting to TL 23.721 due to the gain from the loans amounting to TL 103.915 (December 31, 2015 – TL 155.209 loss) and loss from swaps amounting to TL 80.194 (December 31, 2015 – TL 149.945 gain) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 168.103 (December 31, 2015 – TL 156.493) have been subject to hedge accounting with swaps with a nominal amount of TL 160.939 (December 31, 2015 – TL 150.774). In 2016 TL 1.760 net fair valuation difference income, net of TL 2.379 (December 31, 2015 – TL 1.537 loss) gain from loans and TL 619 (December 31, 2015 – TL 2.055 gain) loss from swaps has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Parent Bank has booked the valuation effect amounting to TL 7.429 (December 31, 2015 – TL 9.873) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as loss during the current period.

b) Investment securities available for sale

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 378,7 million and EUR 75,8 million (December 31, 2015 – USD 365,7 million and EUR 75,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2016, the net market valuation difference gain amounting to TL 2.441 due to gain from Eurobonds amounting to TL 5.443 (December 31, 2015 – TL 22.427 gain) and loss from swaps amounting to TL 3.002 (December 31, 2015 – TL 22.647 loss) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period. December 31, 2015 – None.)

c) Bonds issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2015 – USD 650 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2016, TL 15.506 net fair valuation difference gain, net of TL 7.525 (December 31, 2015 – TL 7.225 gain) gain from issued bonds and TL 7.981 (December 31, 2015 – TL 6.986 loss) loss from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

d) Tangible Assets

The Parent Bank has designated fair value hedge accounting through foreign currency fundings to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Immovable having a carrying value at an amount of USD 380 million is subjected to hedge accounting with securities issued. The Parent Bank has recognized a cumulative amount of TL 298.423 mark to market exchange difference income (December 31, 2015 – TL 10.136) whose TL 239.377 portion is a mark-to-market exchange difference expense in current period from aforementioned immovable. The aforementioned exchange difference loss will be amortized through the economic life of immovable which is the subject of hedging.

e) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2015: EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference income at an amount of TL 22 sourcing from Credit at an amount of TL 2.160 losses, (December 31, 2015 – TL 900 gain) and TL 2.182 gain (December 31, 2015 – TL 933 losses) from swaps is recognized under "Gain/loss from Derivative Financial Transactions."

5.2 Cash flow hedge accounting

a) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 1 month, the Parent Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 5.270.130 are subject to hedge accounting as hedging instruments (December 31, 2015 – TL 4.035.130). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 51.278 are accounted for under equity during the current period (December 31, 2015 – TL 68.398 gain). The amounts for the ineffective portion of expenditures in the amount of TL 2 gain is associated with the income statement (December 31, 2015 – TL 6.970 gain)

As of the balance sheet date, swaps with a nominal amount of USD 1.737 million (December 31, 2015 – USD 1.877 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 139 million (December 31, 2015 – EUR 139 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 6.746 are accounted under equity during the current period (December 31, 2015 – TL 73.534 gain). The loss amounting to TL 636 (December 31, 2015 – TL 589 loss) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is income of TL 18.624 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2015 – TL 5.195 gain).

The measurements as of December 31, 2016, hedge of cash flow transactions stated above are determined as effective.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2016, the Parent Bank has no commitments "credit linked notes" (As of December 31, 2015 - None).

As of December 31, 2016, "Other Derivative Financial Instruments" with nominal amount of USD 250.000.000 (December 31, 2015: USD 225.000.000) are included in the Parent Bank's "Swap Interest Sell Transactions." In aforementioned transaction, the Parent Bank is the seller of the protection for USD 245.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 24.635 (December 31, 2015 - TL 37.644) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

8. Information on the services in the name and account of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

9. Information on the Parent Bank's rating by international rating institutions

MOODY'S September 2016		**FITCH August 2016**		**CI August 2016**	
Long-Term Deposit Rating (FC)	Ba2	Long -Term Foreign Curr.	BBB	Long-Term Foreign Curr.	BB+
Long-Term Deposit Rating (TL)	Ba1	Short-Term Foreign Curr.	F2	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BBB	FC Appearance	Stable
Short-Term Deposit Rating (TL)	NP	Short-Term TL	F2	Financial Strength Rating	BBB
Main Credit Evaluation	ba3	Long-Term National	AAA(tur)	Financial Strength Appearance	Stable
Appearance	Stable	Appearance	Negative	Support	2
		Support	2		
		Financial Capacity Rating	bbb-		

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

IV. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED INCOME STATEMENT

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.458.346	42.704	3.107.011	48.183
Medium and Long-Term Loans	3.620.268	506.811	3.023.888	381.145
Non-Performing Loans	94.501	-	123.260	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total	**7.173.115**	**549.515**	**6.254.159**	**429.328**

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	756	-	1
Domestic Banks	2.484	29	1.161	11
Foreign Banks	2.922	5.238	362	2.199
Foreign Headquarters and Branches	-	-	-	-
Total	**5.406**	**6.023**	**1.523**	**2.211**

(*) The interest income on Required Reserve amounting TL 52.930 is not included in interest income on Banks. (December 31, 2015: 22.770).

c) Information on interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	4.442	-	3.660	218
Financial Assets at FVTPL	4.231	219	8.595	575
Investment Securities Available for Sale	362.729	121.143	315.146	105.891
Investment Securities Held to Maturity	278.755	72.163	273.657	42.870
Total	**650.157**	**193.525**	**601.058**	**149.554**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of the related assets was updated according to the annual inflation rate of 7,16% as of 31 December 2016.

d) Information on interest income received from associates and subsidiaries:

None (December 31, 2015 – None)

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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2. a) Information on interest expense related to funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	**52.274**	**371.460**	**71.425**	**267.549**
T.R. Central Bank	-	-	-	-
Domestic Banks	29.961	18.782	39.014	17.135
Foreign Banks	22.313	352.678	32.411	250.414
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**52.274**	**371.460**	**71.425**	**267.549**

b) Information on interest expense paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	915	12.487

c) Information on interest expense paid to securities issued

As of December 31, 2016 the interest amount paid to securities issued is TL 341.639 (December 31, 2015 – TL 373.804)

d) Information on maturity structure of interest expenses on deposits

Current Period		Time Deposits						
Account Name	**Demand Deposits**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accumulated Deposit Account**	**Total**
Turkish Lira								
Bank Deposits	-	18.523	6.312	237	427	-	-	25.499
Saving Deposits	-	224.697	1.586.095	66.009	33.551	92.527	-	2.002.879
Public Sector Deposits	-	288	6.707	159	241	12	-	7.407
Commercial Deposits	1	182.099	454.173	59.184	21.198	19.613	-	736.268
Other Deposits	-	3.685	70.692	28.024	44.211	1.693	-	148.305
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**1**	**429.292**	**2.123.979**	**153.613**	**99.628**	**113.845**	**-**	**2.920.358**
Foreign Currency								
Deposits	-	28.802	277.304	19.137	5.452	9.424	-	340.119
Bank Deposits	98	16.191	5.655	968	-	-	-	22.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	659	-	-	-	-	-	659
Total	**98**	**45.652**	**282.959**	**20.105**	**5.452**	**9.424**	**-**	**363.690**
Grand Total	**99**	**474.944**	**2.406.938**	**173.718**	**105.080**	**123.269**	**-**	**3.284.048**

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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	12.979	2.050	-	-	-	-	15.029
Saving Deposits	-	199.374	1.321.852	44.370	22.409	109.226	-	1.697.231
Public Sector Deposits	-	1.830	9.105	111	37	1	-	11.084
Commercial Deposits	-	166.148	400.396	33.269	11.597	15.229	-	626.639
Other Deposits	-	6.286	125.806	2.950	32.170	20.652	-	187.864
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**-**	**386.617**	**1.859.209**	**80.700**	**66.213**	**145.108**	**-**	**2.537.847**
Foreign Currency								
Deposits	-	29.694	211.119	8.305	3.316	10.559	-	262.993
Bank Deposits	25	14.170	3.249	180	-	-	-	17.624
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	645	-	-	-	-	-	645
Total	**25**	**44.509**	**214.368**	**8.485**	**3.316**	**10.559**	**-**	**281.262**
Grand Total	**25**	**431.126**	**2.073.577**	**89.185**	**69.529**	**155.667**	**-**	**2.819.109**

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements (*)	181.893	31.493	192.482	15.266

(*) Disclosed in "Interest on Money Market Transactions".

f) Information on finance lease expenses

None (December 31, 2015 – None).

g) Information on interest expenses on factoring payables

None (December 31, 2015 – None).

3. Information on dividend income

	Current Period	Prior Period
Financial Assets Held for Trading	113	58
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Available for Sale	-	-
Other	57	-
Total	**170**	**58**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**8.194.701**	**20.210.828**
Gains on Capital Market Operations	42.851	84.336
Derivative Financial Instruments	4.062.259	4.531.803
Foreign Exchange Gains	4.089.591	15.594.689
Trading Loss (-)	**8.856.234**	**20.938.149**
Losses on Capital Market Operations	25.730	57.211
Derivative Financial Instruments	4.775.554	5.209.294
Foreign Exchange Losses	4.054.950	15.671.644
Net Trading Income/Loss	**(661.533)**	**(727.321)**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information on other operating income

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in “Other Operating Income” account. In addition, amounting to TL151.532 gain reflected in the consolidated financial statements of the Parent’s Bank from the transfer of Visa Inc shares to the Visa Europe Ltd. shares that the Parent’s Bank owns.

6. Provision for losses on loans and other receivables

	Current Period	Prior Period
Specific Provisions For Loans and Other Receivables	**1.452.743**	**909.013**
Loans and Receivables in Group III	267.568	224.974
Loans and Receivables in Group IV	295.346	198.757
Loans and Receivables in Group V	889.829	485.282
Provision for Free Reserves on Possible Losses	**(66.340)**	**(93)**
General provisions	**98.009**	**247.742**
General reserves for possible risks	**(100.000)**	**18.000**
Impairment Losses on Securities	**-**	**-**
Financial assets at fair value through profit or loss	-	-
Investment Securities available for sale	-	-
Impairment Losses on Associates, Subsidiaries and Investment Securities Held-to-Maturity	**-**	**-**
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
Other	**6.011**	**32.782**
Total	**1.390.423**	**1.207.444**

7. Information on other operating expenses

	Current Period	Prior Period
Personnel costs	1.218.027	1.116.533
Reserve for employee termination benefits	16.880	14.615
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	140.670	118.887
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	108.526	93.705
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	6.164	4.050
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	968.028	914.325
Operational lease related expenses	*224.233*	*228.034*
Repair and maintenance expenses	*127.133*	*95.692*
Advertisement expenses	*81.290*	*67.954*
Other expenses	*535.372*	*522.645*
Losses on sales of assets	2.726	6.499
Other	477.058	605.826
Total	**2.938.079**	**2.874.440**

(*) Comprising repayments amounting to TL 76.304 (December 31, 2015: TL 166.703) in respect of Consumer Arbitration Committee and courts’ decision, which was fees and commissions recognized in previous year as income.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

8. Information on profit/loss from continued and discontinued operations before taxes

For the period ended December 31, 2016, net interest income of TL 4.678.620 (December 31, 2015 – TL 4.082.755), net fees and commission income of TL 1.444.877 (December 31, 2015 – TL 1.387.238) and other operating income of TL 411.137 (December 31, 2015 – TL 272.748) constitute an important part of the period income.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2016, the Group recorded current tax charge of TL 208.293 (December 31, 2015 - TL 225.182 current tax expense) and a deferred tax charge of TL 86.421 (December 31, 2015 – TL 21.539 deferred tax gain).

	Current Period	Prior Period
Current Tax Provision	(208.293)	(225.182)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	(86.421)	21.540
Total	**(294.714)**	**(203.642)**

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2015 – None).

10. Explanations on net profit/ (loss) from continued and discontinued operations:

Net profit of the Group from continued operations is TL 1.238.300 (December 31, 2015 – TL 680.414).

11. Explanations on net income/loss for the period

11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period

None (December 31, 2015 – None).

11.2. There is no material effect of changes in accounting estimates by the Group on income statement for the current and, for subsequent periods.

None.

11.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	1.895	16.064

11.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total or items that comprise at least 20% of the income statement

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Parent Bank.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of available for sale securities

Net decrease of TL 175.894 (December 31, 2015 – TL 192.403 net increase) after tax effect resulting from valuation of available for sale securities at fair values is included in "Securities Value Increase Fund" account under shareholders equity.

2. Explanations on foreign exchange differences

None

3. Explanations on dividends

3.1 Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2015 profit as stated below at the Ordinary General Assembly held on March 24, 2016

2015 profit distribution table:

Current Year Profit	**705.772**
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(35.289)
B - The First Dividend for Shareholders(*)	(150.000)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(520.483)

(*) Has been distributed as Bonus Shares

1.2 Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2015- Profit distribution for 2015 is detailed in footnote 3.1).

3.3 Transfers to legal reserves

	Current Period	**Prior Period**
Amount Transferred to Reserved from Retained Earnings	35.443	50.089

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2015- None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

Capital increase amounting to in order of TL 150.000 and TL 165.000 presented in the Statement of Changes in Shareholder's Equity in 2016 and 2015 is entirely provided from extraordinary reserves.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED CASH FLOWS STATEMENT

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

"Other items" amounting to TL 7.860.450 (December 31, 2015- TL 2.416.821) in "Operating profit before changes in operating assets and liabilities" consist of commissions paid amounting to TL 255.422 (December 31, 2015 – TL 255.744), net trading income/loss amounting to TL 4.847.831 (December 31, 2015 – TL 1.769.130 net trading income/loss) and other operating expenses amounting to TL 2.757.197 (December 31, 2015 – TL 391.947).

"Other items" in changes in operating assets amounting to TL 1.297.610 (December 31, 2015 – TL 606.699) consist of the decrease in collaterals given amounting to TL 280.995 (December 31, 2015 - TL 26.958 decrease), the increase in lease receivables amounting to TL 763.477 (December 31, 2015 – TL 430.298 increase), the increase in factoring receivables amounting to TL 179.244 (December 31, 2015 – TL 128.514 increase) and the increase in other assets amounting to TL 635.884 (December 31, 2015 - TL 74.845 decrease).

"Other items" in changes in operating liabilities amounting to TL 2.778.447 (December 31, 2015 - TL 2.482.923) consist of the increase in money market borrowings by TL 1.807.740 (December 31, 2015 - TL 589.958 increase) and the increase in sundry debtors and other liabilities by TL 970.707 (December 31, 2015 - TL 1.892.965 increase).

"Other items" in changes in net cash provided from banking operations amounting to TL 126.705 (December 31, 2015 – TL 127.697) includes the increase in intangible assets by TL 108.526 (December 31, 2015 – TL 34.746).

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 64.523 (December 31, 2015 – TL 24.827) as of December 31, 2016.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
	January 1, 2016	**January 1, 2015**
Cash	**955.907**	**839.524**
Cash in TL	678.547	590.505
Cash in Foreign Currencies	274.822	248.656
Other	2.538	363
Cash Equivalents	**2.775.629**	**2.129.654**
Balances with the T.R. Central Bank	2.418.116	1.601.665
Banks and Other Financial Institutions	278.336	294.961
Money Market Placements	87.711	244.425
Less: Placements with Banks with Maturities Longer than 3 Months	-	(10.369)
Less: Accruals	(8.534)	(1.028)
Cash and Cash Equivalents	**3.731.536**	**2.969.178**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period	Prior Period
	December 31, 2016	**December 31, 2015**
Cash	**1.064.055**	**955.907**
Cash in TL	685.252	678.547
Cash in Foreign Currencies	376.428	274.822
Other	2.375	2.538
Cash Equivalents	**4.845.889**	**2.775.629**
Balances with the T.R. Central Bank	2.941.850	2.418.116
Banks and Other Financial Institutions	264.548	278.336
Money Market Placements	1.667.618	87.711
Less: Placements with Banks with Maturities Longer than 3 Months	(12.182)	-
Less: Accruals	(15.945)	(8.534)
Cash and Cash Equivalents	**5.909.944**	**3.731.536**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 48.643 (December 31, 2015- TL 39.803) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Parent Bank's potential borrowings that can be used for ordinary operations or capital commitment

None.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2016
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP

1. Information on the volume of transactions with the Parent Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

Current period transactions of Parent's Bank related to its Direct and Indirect Partners include QNB group since the share transfer of the Bank to QNB has been completed on June 15, 2016.

1.1. As of December 31, 2016, the Parent Bank's risk group has deposits amounting to TL 195.418 (December 31, 2015 – TL 270.250), non cash loans amounting to TL 1.252 (December 31, 2015 – TL 33.930).

Current Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
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	-	152	-	3	23	19

Prior Period

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	1.715	34.288	-	702
Balance at the End of the Period	-	11.315	-	21.651	-	964
Interest and Commission Income	-	158	-	21	5	13

(*) As described in the Article 49 of Banking Law No 5411.

1.2. Information on deposits held by the Parent Bank's risk group

Parent Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	11.345	202.176	-	17.036	258.905	19.100
Balance at the End of the Period	15.700	11.345	-	-	179.718	258.905
Interest on deposits	915	12.487	-	-	15.743	11.238

(*) As described in the Article 49 of Banking Law No 5411.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.3. Information on forward and option agreements and similar agreements made with the 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	134.496	74.646	102.824
End of the Period	-	-	-	168.641	-	74.646
Total Income/Loss	-	-	-	(4.077)	-	1.693
Transactions for Hedging Purposes						
Beginning of the Period	-	-		-		-
End of the Period	-	-		-		-
Total Income/Loss	-	-		-		-

(*) As described in the Article 49 of Banking Law No 5411.

1.4. As of December 31, 2016, the total amount of remuneration and bonuses paid to top management of the Group is TL 74.883 (December 31, 2015- TL 62.491).

2. Disclosures of transactions with the Parent Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters

As of December 31, 2016, the rate of cash loans of the risk group divided by to total loans is %0; (December 31, 2015 – 0,3%); the deposits represented 0,4% (December 31, 2015 – 0,6%) The ratio of total derivative transactions with derivatives risk is not calculated because no derivative granted to risk group (December 31, 2015 – 0,2%)

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Parent Bank enters into finance lease agreements with Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33,33% shareholding, provides cash transfer services to the Parent Bank.

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

FİNANS BANK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2016

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES OF THE GROUP

1. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Employees	Country	Total Assets	Capital
Domestic Branch	629	12.451			
Foreign Representation	-	-	-		
Foreign Branch	1	8	1- Bahreyn	12.051.261	-
Off-shore Banking and Region Branches	-	-	-	-	-

SECTION SIX

OTHER EXPLANATIONS

Other explanations related to the Parent Bank's operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The Bank made a bond issuances at a nominal amount of TL 63,630 having 10.65% interest rate with 91 days and at a nominal amount of TL 39,370 having 11.10% interest rate with 171 days maturity on January 13, 2017 and at a nominal amount of TL 53,658 having 11.00% interest rate with 92 days maturity on January 17, 2017 and at a nominal amount TL 411,950 having 11.50% interest with 91 days maturity on January 20, 2017 and at a nominal amount TL 108,800 having 11.50% interest with 101 days maturity and at a nominal amount TL 66,758 having 11.10% interest with 92 days maturity on January 24, 2017 and at a nominal amount TL 160,170 having 11.55% interest with 103 days maturity on February 2, 2017.

The Parent Bank made a Eurobond issuance at a nominal amount of USD 3,000,000 having 2.30% interest rate with 90 days maturity on January 11, 2017 and at a nominal amount of USD 24,000,000 having 2.45% interest rate with 90 days maturity on January 19, 2017.

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

SECTION SEVEN

EXPLANATION ON AUDITOR'S REPORT

1. Explanations on Independent Audit Report

The consolidated financial statements for the period ended December 31, 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's audit report dated February 3, 2017 is presented preceding the consolidated financial statements.

1. Explanations and notes prepared by Independent Auditors

None (December 31, 2015 – None).

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