



FINANSBANK A.Ş.
US\$2,000,000,000
Global Medium Term Note Program

This supplement (this “*Supplement*”) is supplemental to, and must be read in conjunction with, the base prospectus dated April 25, 2016 (the “*Original Base Prospectus*” and, as supplemented on May 20, 2016, September 21, 2016 and November 11, 2016, the “*Base Prospectus*”) prepared by Finansbank A.Ş. (the “*Issuer*”) under the Issuer’s global medium term note program. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed thereto in the Base Prospectus.

This Supplement has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the “*Prospectus Directive*”). The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This document constitutes a supplement for the purposes of Article 16 of the Prospectus Directive and has been prepared and published for the purposes of incorporating into the Base Prospectus the latest financial statements and updating the Base Prospectus in respect of certain recent events in connection with the Issuer. As a result, certain modifications to the Base Prospectus are hereby being made.

A copy of each of: (a) the consolidated BRSA financial statements of the Group as of and for the year ended December 31, 2016 (including any notes thereto and the independent auditor’s report thereon, the “*Group’s New BRSA Financial Statements*”), (b) the unconsolidated BRSA financial statements of the Issuer as of and for the year ended December 31, 2016 (including any notes thereto and the independent auditor’s report thereon, the “*Issuer’s New BRSA Financial Statements*” and, with the Group’s New BRSA Financial Statements, the “*New BRSA Financial Statements*”) and (c) the consolidated IFRS financial statements of the Group as of and for the year ended December 31, 2016 (including any notes thereto and the independent auditor’s report thereon, the “*New IFRS Financial Statements*” and, with the New BRSA Financial Statements, the “*New Financial Statements*”) has been filed with the Central Bank of Ireland and, by means of this Supplement, is incorporated by reference into, and forms part of, the Base Prospectus. Copies of each of the New Financial Statements can be obtained without charge from the registered office of the Issuer and from the Issuer’s website at: <http://www.qnbfinansbank.com/en/investor-relations/financial-information/Default.aspx> (such website is not, and should not be deemed to constitute, a part of, or be incorporated into, this Supplement or the Base Prospectus). The New BRSA Financial Statements, each of which is in English, were prepared as convenience translations of the corresponding Turkish language financial statements (which translations the Issuer confirms were direct and accurate). The New Financial Statements were not prepared for the purpose of their incorporation by reference into the Base Prospectus. The New Financial Statements were audited by Ernst & Young and Ernst & Young’s audit reports based upon the BRSA Accounting and Reporting Regulation for 2016 included within the New Financial Statements include a qualification about a general reserve previously allocated (but since reversed) by the Group for the purpose of the conservatism principle applied by the Group considering the possible result of negative circumstances that might arise from any changes in economic or market conditions.

In addition, the attached pages of this Supplement provide for amendments to certain sections of the Base Prospectus. Statements contained herein, to the extent applicable and whether expressly, by implication or otherwise, modify or supersede statements set out in, or previously incorporated by reference into, the Base Prospectus. Where there is any inconsistency between the information contained in (or incorporated by reference into) the Base Prospectus and this Supplement, the information contained in (or incorporated by reference into the Base Prospectus through) this Supplement shall prevail.

Except as disclosed herein (including in the New Financial Statements incorporated by reference into the Base Prospectus through this Supplement) and in the previous supplements to the Original Base Prospectus, there has been: (a) no significant new factor, material mistake or inaccuracy relating to the information included in the Original Base Prospectus since the publication thereof and (b) no significant change in the financial or trading position, and no material adverse change in the financial position or prospects, of either the Group or the Issuer since December 31, 2016.

The Issuer accepts responsibility for the information contained herein. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and contains no omission likely to affect the import of such information. None of the Dealers or the Arranger make any representation, express or implied, or accept any responsibility, for the contents hereof or any information incorporated by reference into the Base Prospectus through this Supplement.

AMENDMENTS

The following amendments are made to the Base Prospectus:

RISK FACTORS

The second sentence of the first paragraph of the section entitled “*Risks related to the Group’s Business - Foreign Exchange Risk*” on page 15 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

For example, the Group had loans and receivables denominated in U.S. Dollars and euro totaling the equivalent of TL 8,836.6 million and TL 7,764.3 million, respectively, as of December 31, 2016, representing 14.1% and 12.4%, respectively, of the Group’s total loans and receivables as of such date.

The fifth sentence of the second paragraph of the section entitled “*Risks related to the Group’s Business - Foreign Exchange Risk*” on page 15 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

As a result, the Group’s net profit/(loss) and capital ratios are affected by changes in the value of the Turkish Lira with respect to foreign currencies.

The first sentence of the last paragraph of the section entitled “*Risks related to the Group’s Business - Foreign Exchange Risk*” on page 16 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

Furthermore, if the Turkish Lira were to depreciate materially against the U.S. Dollar or the euro (which represent a significant portion of the foreign currency debt of the Group’s corporate and commercial customers), then it would be more difficult for the Group’s customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt, which might have a material adverse effect on the Group’s NPLs and asset quality.

The third paragraph of the risk factor entitled “*Risks related to Turkey – Political Developments*” on pages 29 and 30 of the Original Base Prospectus as amended by the supplements dated May 20, 2016, September 21, 2016 and November 11, 2016 is hereby replaced by the following:

Elections were held in Turkey on June 7, 2015 resulting in no party receiving a majority of the members of the Turkish Parliament. The parties with seats in the Turkish Parliament were unable to form a coalition within the period provided in the Turkish constitution; therefore, early elections were held on November 1, 2015. In this election, the Justice and Development Party (known as *Adalet ve Kalkınma Partisi* (“AKP”)) received approximately 49% of the vote and a significant majority of the members of the Turkish Parliament, thus enabling it to form a single-party government. On May 5, 2016, the Central Executive Board of the AKP decided to hold an extraordinary congress on May 22, 2016, in which the AKP appointed Mr. Binali Yıldırım as the new Prime Minister of Turkey following the resignation of Ahmet Davutoğlu. Social and political conditions remain challenging in Turkey, including with increased tension resulting from Turkey’s conflict with the People’s Congress of Kurdistan (formerly known as the PKK) (an organization that is listed as a terrorist organization by states and organizations including Turkey, the EU and the United States) (the “PKK”). Tensions related to the Kurdish conflict escalated after Turkish authorities arrested several members of the Turkish Parliament from the Kurdish opposition party (known as *Halkların Demokratik Partisi* (HDP)), including its two co-leaders, on November 4, 2016 (one of which was stripped of her seat in the Turkish Parliament and remains imprisoned and the other of which was sentenced to a five month prison term). There can be no assurance that such conditions will not deteriorate.

Following the elections in 2015, the AKP announced its intention to replace the existing Turkish constitution with a new constitution and to create an executive presidency. On January 21, 2017, the Turkish Parliament approved a bill that would, if approved in a referendum expected to be held in April 2017, amend certain articles of the Turkish constitution to expand the powers of the president. Should the majority vote to approve the package of constitutional amendments, then: (a) the current parliamentary system will be transformed into a presidential one, (b) the president will be entitled to be the head of a political party and to appoint the cabinet, (c) the office of the prime minister will be abolished and (d) the Turkish Parliament’s right to interpellate (*i.e.*, the right to

submit questions requesting explanation regarding an act or a policy) the cabinet members will be annulled. It should be noted that should the majority vote to reject the proposed changes to the Turkish constitution, then such vote might lead to early elections.

The events surrounding such referendum, any future elections and/or the results of such elections could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to the independence of Turkey's institutions and Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions. Actual or perceived political instability in Turkey and/or other political circumstances (and related actions, rumors and/or uncertainties) might have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects and on the market price of the Notes.

The text of the risk factor entitled "*Risks related to the Group's Business – Audit Qualification*" starting on page 25 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

The Group's audit reports based upon the BRSA Accounting and Reporting Regulation for 2014, 2015 and 2016 include a qualification about a general reserve allocated by the Group for the purpose of the conservatism principle applied by the Group considering the possible result of negative circumstances that might arise from any changes in economic or market conditions. While this reserve was reversed in 2016, the auditor's qualifications (which can be found in its letters attached to each of such BRSA Financial Statements) continue to be included in the 2016 BRSA Financial Statements due to the reserve's existence as of December 31, 2015.

These general reserves allocated by the Bank's management amounted to: (a) TL 82 million as of December 31, 2014 and (b) TL 100 million as of December 31, 2015 (of which TL 82 million was allocated in 2014 and the balance in 2015), in each case which allocations were charged to the income statement as an expense in the applicable period (*i.e.*, TL 82 million for 2014 and TL 18 million for 2015). These general reserves were fully reversed in the last quarter of 2016.

Should such reserves be allocated in future periods (or, if so allocated, thereafter be reversed, re-allocated or increased by the Group in future periods), this might: (a) cause the Group's net profit to be higher or lower in future periods than it otherwise would be in the absence of such allocation, reversal, reallocation or increase and (b) result in similar qualifications being included in the corresponding audit or review reports for future fiscal periods. These provisions do not impact the Group's level of tax or its capitalization ratios.

The seventh sentence of the penultimate paragraph of the risk factor entitled "*Risks related to Turkey – Exchange Rates*" on page 34 of the Original Base Prospectus as amended by the supplements dated September 21, 2016 and November 11, 2016 is hereby amended by the addition of the following at the end thereof:

On November 24, 2016, the Central Bank started to increase the upper limit of its interest rate corridor (lending rate). On November 24, 2016, the Central Bank increased such rate by 25 basis points and subsequently on January 24, 2017, the Central Bank increased the upper limit further by 75 basis points to 9.25%. On November 24, 2016, the Central Bank also increased its one-week repo rate by 50 basis points to 8.00% from 7.50%, while leaving its overnight borrowing rate unchanged at 7.25%.

The fourth sentence of the risk factor entitled "*Risks related to Turkey – Government Default*" on page 34 of the Original Base Prospectus as amended by a supplement dated November 11, 2016 is hereby deleted in its entirety and replaced by the following:

The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, Standard & Poor's, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of January 12, 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. On January 27, 2017, Fitch (whose ratings the Bank has been using to calculate its risk-weighted assets) downgraded Turkey's sovereign credit rating to "BB+" (with a stable outlook) from "BBB-" (with a negative outlook). According to guidance published by the BRSA on February 24, 2017, foreign exchange-required reserves held with the Central Bank will

now be subjected to a 0% risk weight, which amendment offset the negative impact on capital adequacy that otherwise would have resulted from the Fitch downgrade. See also “Risk Factors - Risks relating to the market generally - Credit Ratings.”

RECENT DEVELOPMENTS

The fifth paragraph of the section entitled “*Recent Developments*” included in the Original Base Prospectus by a supplement dated May 20, 2016 as amended by the supplements dated September 21, 2016 and November 11, 2016 is amended by: (a) the deletion of the reference to Standard & Poor’s included by way of the November 11, 2016 supplement and (b) the addition of the following at the end thereof:

On December 12, 2016, Turkstat changed the method of calculation to determine economic growth in Turkey and revised the figures announced for the previous periods that were calculated in line with the former method. In line with the calculations using with the new method, the GDP contracted by 1.8% in the third quarter of 2016. The GDP growth for the first quarter and second quarter of 2016 were each revised to 4.5% from 4.7% and 3.1%, respectively, and the GDP growth in 2015 was revised to 6.1% from 4.0%.

In nominal terms, the Turkish Lira depreciated against the U.S. Dollar by 7.6% between December 30, 2016 and January 31, 2017, which depreciation was in part a result of geopolitical risks (see “Risk Factors – Risks related to Turkey - Terrorism and Conflicts”), the uncertainty resulting from domestic political developments (see “Risk Factors – Risks related to Turkey - Political Developments”) and the pressure on emerging market currencies. As a response to the depreciation of the Turkish Lira, the Central Bank has adopted certain monetary policies. For instance, the Central Bank reduced the borrowing limit for Turkish banks in the Interbank Money Market (*Bankalararası Para Piyasası*) initially to TL 22 billion and subsequently to TL 11 billion on January 10, 2017 and January 13, 2017, respectively. The Central Bank also launched the Foreign Exchange Deposits against Turkish Lira Deposits Market in order to increase the Central Bank’s flexibility and diversity in managing the Turkish Lira and foreign exchange liquidity. The Central Bank is expected to implement additional monetary tightening policies in the near future for price stability, if needed.

On January 4, 2017, the Grand National Assembly of Turkey ratified the extension of the state of emergency for an additional three month period starting from January 19, 2017.

On January 27, 2017, Fitch downgraded Turkey’s sovereign credit rating to “BB+” (with a stable outlook) from “BBB-” (with a negative outlook). Following the revision of certain of Turkey’s ratings, on February 2, 2017, Fitch revised the ratings of 18 Turkish banks, including the Bank. The Bank’s ratings from Fitch are as follows:

	<u>Fitch</u>
Long-term foreign currency	BBB-
Short-term foreign currency	F3
Long-term local currency deposit	BBB-
Short-term local currency deposit	F3
Long-term national rating	AAA (tur)
Support.....	2
Viability/Baseline Credit Assessment.....	bb+
Outlook	Stable

All references in this Base Prospectus to the expected initial ratings by Fitch of Notes issued under the Program are hereby amended to “BBB-” (for long-term issuances) and F3 (for short-term issuances).

On January 27, 2017, Standard & Poor’s revised the outlook of Turkey from “stable” to “negative.”

The CMB amended the Communiqué on Debt Instruments to remove the requirement that issuers of debt instruments to be issued outside of Turkey had to obtain a tranche issuance certificate (*tertip ihraç belgesi*) before any sale and issuance of such instruments. As of February 18, 2017, such issuers are now only required to submit certain information to the CMB before they can proceed with the sale and issuance of such instruments; *however*, as of March 3, 2017, the CMB’s system allowing such application has not become operational yet. Therefore, unless

such system becomes operational before the Issuer Date of Notes, a tranche issuance certificate (*tertip ihraç belgesi*) in respect of such Notes has to be obtained by the Issuer from the CMB on or before such Issue Date in order to proceed with the sale and issuance of such Notes. In addition, these amendments removed the previous requirement that debt instruments to be issued outside of Turkey had to be traded in an electronically registered form in the Central Registry Agency; *however*, such issuers are still required to notify the Central Registry Agency within three İstanbul business days from the applicable issue date of the amount, issue date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of such debt instruments and the country of issuance.

Food prices recorded a sizable decline in 2016, mainly due to the contraction in food exports to Russia. Despite this disinflationary factor, headline inflation eased only slightly to 8.5% from 8.8% in 2015 as the pass-through impact from the depreciation of the Turkish Lira pushed inflation up in December. Year-on-year inflation stood at 9.22% as of January 31, 2017.

TURKISH REGULATORY ENVIRONMENT

The second full paragraph on page 167 of the section entitled “*Loan Loss Reserves*” in the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also requires Turkish banks to provide a general reserve calculated at 1% of the total cash loan portfolio plus 0.2% of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in Group I above, for which the general reserve is calculated at 0.5% of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in Group I above, for which the general reserve is calculated at 0.1% of the total commercial non-cash commercial loan portfolio, (c) cash and non-cash loans defined in Group I for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve is calculated at 0%) for standard loans defined in Group I above and a general reserve calculated at 2.0% of the total cash loan portfolio *plus* 0.4 % of the total non-cash loan portfolio (*i.e.*, letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in Group II above (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve is calculated at 1.0%, and (ii) non-cash loans related to the items stated in (i) above for which the general loan loss reserve is calculated at 0.2%). The exceptions regarding the loan loss reserve calculation stated above will be applied to the respective loans defined in Group I and Group II until December 31, 2017.

The second to last paragraph of the section entitled “*Loan Loss Reserves*” on page 169 of the Original Base Prospectus is hereby amended by the addition of the following at the end thereof:

On December 14, 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods within the state of emergency. The Provisional Article 12 states that (among other things) the loans and other receivables classified as non-performing loans by the banks may be restructured up to two times until December 31, 2017. Such restructured loans may be classified under Group II if: (a) in case of the first restructuring, there is no overdue debt as of the date of the re-classification and the last three payments prior to the date of the re-classification have been made timely and in full, and (b) in case of the second restructuring, there is no overdue debt as of the date of the re-classification and the last six payments prior to the date of the re-classification have been made timely and in full. Loans and other receivables classified under Group II after the restructuring are monitored under “Renewed/Restructured Loans Account.” Information regarding renewed/restructured loans and other receivables shall be disclosed in the financial reports that are made publicly available at the end of each year and in the interim periods. Furthermore, Provisional Article 13 (which entered into force retroactively as of July 21, 2016) states that (among other things) the delay periods of payments for loans defined in Groups II, III, IV and V may be counted as of January 21, 2017 for the obligations of: (i) credit debtors

that have been liquidated or assigned to the Directorate General of Foundations or the Treasury or to which the SDIF is assigned as the trustee within the scope of the state of emergency declared by the Decree of the Council of Ministers dated July 20, 2016, (ii) public officials who have been discharged from their positions within the scope of the state of emergency and (iii) assets of such real persons and legal entities the assets of which are subject to injunctions due to the state of emergency.

The last paragraph of the section entitled “*Loan Loss Reserves*” on page 169 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries. In June 2016, the BRSA published a regulation (which is amended from time to time), which will replace the Regulation on Provisions and Classification of Loans and Receivables as of January 1, 2018 in order to ensure compliance (by January 1, 2018) with the requirements of IFRS and the Financial Sector Assessment Program, which is a joint program of the International Monetary Fund and the World Bank. This regulation requires banks to adopt IFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles.

The second and third paragraphs of the section entitled “*Liquidity and Reserve Requirements*” on page 176 of the Original Base Prospectus are hereby deleted in their entirety and replaced by the following:

Pursuant to the Communiqué regarding Reserve Requirements (the “*Communiqué regarding Reserve Requirements*”), the reserve requirements for foreign currency liabilities vary by category and tenor, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
1) Deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)	
Demand deposits, notice deposits.....	12%
Up to 1-month, 3-month, 6-month and 1-year maturities.....	12%
With maturities of 1 year and longer.....	8%
2) Borrowers’ deposit accounts held at development and investment banks*	12%
3) Other liabilities (including deposit/participation accounts held at foreign banks)	
Up to 1-year maturity (including 1 year).....	24%
Up to 2-years maturity (including 2 years).....	19%
Up to 3-years maturity (including 3 years).....	14%
Up to 5-years maturity (including 5 years).....	6%
Longer than 5-years maturity	4%

* Due to Turkish laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower.

Notwithstanding the above, the reserve requirements for foreign currency liabilities other than deposits and participation accounts that existed on August 28, 2015 vary by tenor until their maturity, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Other liabilities up to 1-year maturity (including 1-year)	19%
Other liabilities up to 2-years maturity (including 2-years)	13%
Other liabilities up to 3-years maturity (including 3-years)	7%
Other liabilities up to 5-years maturity (including 5-years)	6%
Other liabilities longer than 5-years maturity.....	5%