

FİNANS BANK ANONİM ŞİRKETİ

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

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

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

Independent auditor report

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

Report on the Unconsolidated Financial Statements

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

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

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

Independent Auditor’s responsibility

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

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

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

Basis of Qualified Opinion

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

Qualified Opinion

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

Reports on arising from other regulatory requirements:

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

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

Additional paragraph for convenience translation to English:

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

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

Damla Harman, SMMM
Partner

February 3, 2017
İstanbul, Türkiye

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

The Bank's;

Address of the head office : Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL

Phone number : (0 212) 318 50 00

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

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

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

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

Ömer A. Aras
Chairman of
the Board of Directors

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

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

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

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

Temel Güzelöğlu
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

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

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

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

**SECTION ONE
GENERAL INFORMATION**

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

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

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

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

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

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

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

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AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

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

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

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

| Name | Title | Date of Appointment | Education |
|---|---|---------------------|-----------|
| Dr. Ömer A. Aras | Chairman | April 16, 2010 | Phd |
| Sinan Şahinbaş | Deputy Chairman and Executive Member | April 16, 2010 | Masters |
| Ali Teoman Kerman | Board Member and Chairman of the Audit Committee | April 16, 2013 | Masters |
| Ramzi Talat A. Mari ^(*) | Board Member and Audit Committee Member | June 16, 2016 | Masters |
| Fatma Abdulla S.S. Al-Suwaiddi | Board Member and Audit Committee Member | June 23, 2016 | Masters |
| Durmuş Ali Kuzu ^(**) | Board Member and Audit Committee Member | August 25, 2016 | Phd |
| Temel Güzelöğlu | Board Member and General Manager | April 16, 2010 | Masters |
| Abdulla Mubarak N. Alkhalifa | Board Member | June 23, 2016 | Graduate |
| Assistant Prof. Osman Reha Yolalan | Board Member | June 21, 2016 | Phd |
| 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 Kurtoglu | Executive Vice President | May 14, 2015 | Masters |
| Murat Koraş | Executive Vice President | May 14, 2015 | Masters |
| Onur Özkan | Executive Vice President | May 14, 2015 | Masters |
| Elsa Pekmez Atan | Executive Vice President | May 14, 2015 | Masters |
| Emel Yılmaz Özbay ^(****) | Executive Vice President | Feb 12, 2016 | Graduate |
| Engin Turhan ^(*****) | Executive Vice President | June 14, 2016 | Masters |
| Ahmet Erzençin | Head of the Department of Internal Control and Compliance | September 12, 2012 | Graduate |
| Bülent Yurdalan | Head of Department of Internal Systems | August 6, 2013 | Graduate |
| Ersin Emir | Head of Internal Audit | February 18, 2011 | Masters |
| Zeynep Aydın Demirkıran | Head of Risk Management | September 16, 2011 | Masters |

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

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

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

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

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

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

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

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

V. Explanations on the Bank's services and activities

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

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

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

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

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

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

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

All other subsidiaries are fully consolidated.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
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- VI. Statement of Cash Flow
- VII. Profit Appropriation Statement

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

FİNANS BANK ANONİM ŞİRKETİ

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

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

I. BALANCE SHEET – ASSETS

| | | Audited 31/12/2016 | | | Audited 31/12/2015 | | |
|---|---------------------|-----------------------|-------------------|--------------------|-----------------------|-------------------|-------------------|
| | Section 5 Part I | TL | FC | Total | TL | FC | Total |
| I. CASH AND BALANCES WITH THE CENTRAL BANK | (1) | 1.929.860 | 11.174.023 | 13.103.883 | 2.088.091 | 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 İstanbul 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 |
| 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 31/12/2016 | | | Audited 31/12/2015 | | | |
|------------------------------|--|-----------------------|------------|------------|-----------------------|------------|------------|------------|
| | | Section 5 | | | | | | |
| | | Part II | TL | FC | Total | TL | FC | Total |
| I. | DEPOSITS | (1) | 31.546.849 | 22.391.851 | 53.938.700 | 28.874.448 | 19.691.389 | 48.565.837 |
| 1.1 | Deposits from risk group of the Bank | | 208.763 | 60.106 | 268.869 | 304.656 | 220.154 | 524.810 |
| 1.2 | Other | | 31.338.086 | 22.331.745 | 53.669.831 | 28.569.792 | 19.471.235 | 48.041.027 |
| II. | DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING | (2) | 2.387.017 | 214.921 | 2.601.938 | 1.882.909 | 273.555 | 2.156.464 |
| III. | FUNDS BORROWED | (3) | 101.236 | 10.656.671 | 10.757.907 | 107.591 | 5.532.825 | 5.640.416 |
| IV. | MONEY MARKET BORROWINGS | | 2.995.752 | 3.519.709 | 6.515.461 | 2.781.534 | 1.857.920 | 4.639.454 |
| 4.1 | Interbank money markets takings | | 1.500.708 | - | 1.500.708 | - | - | - |
| 4.2 | Istanbul Stock Exchange money markets takings | | - | - | - | - | - | - |
| 4.3 | Funds provided under repurchase agreements | (4) | 1.495.044 | 3.519.709 | 5.014.753 | 2.781.534 | 1.857.920 | 4.639.454 |
| V. | SECURITIES ISSUED (Net) | (5) | 1.124.543 | 3.187.028 | 4.311.571 | 535.327 | 3.800.454 | 4.335.781 |
| 5.1 | Bills | | 1.124.543 | 53.683 | 1.178.226 | 535.327 | - | 535.327 |
| 5.2 | Asset backed securities | | - | - | - | - | - | - |
| 5.3 | Bonds | | - | 3.133.345 | 3.133.345 | - | 3.800.454 | 3.800.454 |
| VI. | FUNDS | | - | - | - | - | - | - |
| 6.1 | Borrower funds | | - | - | - | - | - | - |
| 6.2 | Other | | - | - | - | - | - | - |
| VII. | SUNDRY CREDITORS | | 2.212.951 | 4.389.726 | 6.602.677 | 2.042.291 | 3.417.799 | 5.460.090 |
| VIII. | OTHER LIABILITIES | (6) | 858.329 | 170.008 | 1.028.337 | 987.164 | 154.881 | 1.142.045 |
| IX. | FACTORING PAYABLES | | - | - | - | - | - | - |
| X. | LEASE PAYABLES (Net) | (7) | 273 | 667 | 940 | 838 | 1.066 | 1.904 |
| 10.1 | Financial lease payables | | 322 | 728 | 1.050 | 981 | 1.159 | 2.140 |
| 10.2 | Operational lease payables | | - | - | - | - | - | - |
| 10.3 | Others | | - | - | - | - | - | - |
| 10.4 | Deferred financial lease expenses (-) | | 49 | 61 | 110 | 143 | 93 | 236 |
| XI. | DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES | (8) | 196.239 | 230.489 | 426.728 | 60.229 | 223.215 | 283.444 |
| 11.1 | Fair value hedge | | - | 190.559 | 190.559 | - | 178.808 | 178.808 |
| 11.2 | Cash flow hedge | | 196.239 | 39.930 | 236.169 | 60.229 | 44.407 | 104.636 |
| 11.3 | Hedge of net investments in foreign subsidiaries | | - | - | - | - | - | - |
| XII. | PROVISIONS | (9) | 1.768.642 | - | 1.768.642 | 1.759.828 | - | 1.759.828 |
| 12.1 | General provisions | | 1.288.394 | - | 1.288.394 | 1.190.403 | - | 1.190.403 |
| 12.2 | Restructuring provisions | | - | - | - | - | - | - |
| 12.3 | Reserve for employee benefits | | 276.595 | - | 276.595 | 236.751 | - | 236.751 |
| 12.4 | Insurance technical provisions (Net) | | - | - | - | - | - | - |
| 12.5 | Other provisions | | 203.653 | - | 203.653 | 332.674 | - | 332.674 |
| XIII. | TAX LIABILITY | (10) | 188.032 | - | 188.032 | 56.239 | - | 56.239 |
| 13.1 | Current tax liability | | 188.032 | - | 188.032 | 56.239 | - | 56.239 |
| 13.2 | Deferred tax liability | | - | - | - | - | - | - |
| XIV. | PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET) | (11) | - | - | - | - | - | - |
| 14.1 | Held for sale | | - | - | - | - | - | - |
| 14.2 | Discontinued operations | | - | - | - | - | - | - |
| XV. | SUBORDINATED LOANS | (12) | - | 3.235.793 | 3.235.793 | - | 2.662.119 | 2.662.119 |
| XVI. | SHAREHOLDERS' EQUITY | | 10.499.697 | (373.369) | 10.126.328 | 9.202.073 | (178.297) | 9.023.776 |
| 16.1 | Paid-in capital | (13) | 3.150.000 | - | 3.150.000 | 3.000.000 | - | 3.000.000 |
| 16.2 | Capital reserves | | 276.220 | (373.369) | (97.149) | 182.006 | (178.297) | 3.709 |
| 16.2.1 | Share Premium | (14) | 714 | - | 714 | 714 | - | 714 |
| 16.2.2 | Share cancellation profits | | - | - | - | - | - | - |
| 16.2.3 | Securities value increase fund | (15) | 275.394 | (379.478) | (104.084) | 141.358 | (178.297) | (36.939) |
| 16.2.4 | Revaluation fund on tangible asset | | - | - | - | - | - | - |
| 16.2.5 | Revaluation fund on intangible asset | | - | - | - | - | - | - |
| 16.2.6 | Investment property revaluation differences | | - | - | - | - | - | - |
| 16.2.7 | Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures) | | 2.689 | - | 2.689 | 2.689 | - | 2.689 |
| 16.2.8 | Hedging funds (effective portion) | | 39.442 | 6.109 | 45.551 | 81.175 | - | 81.175 |
| 16.2.9 | Accumulated valuation differences from assets held for sale and discontinued operations | | - | - | - | - | - | - |
| 16.2.10 | Other capital reserves | | (42.019) | - | (42.019) | (43.930) | - | (43.930) |
| 16.3 | Profit reserves | | 5.870.067 | - | 5.870.067 | 5.314.295 | - | 5.314.295 |
| 16.3.1 | Legal reserves | | 444.527 | - | 444.527 | 409.238 | - | 409.238 |
| 16.3.2 | Status reserves | | - | - | - | - | - | - |
| 16.3.3 | Extraordinary reserves | | 5.425.540 | - | 5.425.540 | 4.905.057 | - | 4.905.057 |
| 16.3.4 | Other profit reserves | | - | - | - | - | - | - |
| 16.4 | Profit or loss | | 1.203.410 | - | 1.203.410 | 705.772 | - | 705.772 |
| 16.4.1 | Prior years' income/ (losses) | | - | - | - | - | - | - |
| 16.4.2 | Current period income/ (loss) | | 1.203.410 | - | 1.203.410 | 705.772 | - | 705.772 |
| TOTAL LIABILITIES AND EQUITY | | | 53.879.560 | 47.623.494 | 101.503.054 | 48.290.471 | 37.436.926 | 85.727.397 |

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

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

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

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

| | | Audited 31/12/2016 | | | Audited 31/12/2015 | | | |
|--|---|-------------------------|-------------|-------------|-----------------------|-------------|-------------|-------------|
| | | 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

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

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

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

FINANS BANK ANONİM ŞİRKETİ

STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

FOR THE PERIOD ENDED DECEMBER 31, 2016

(STATEMENT OF OTHER COMPREHENSIVE INCOME / LOSS)

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

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

The accompanying notes are an integral part of these financial statement

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

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | | | | 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 |
|--------|---|---------------------|--------------------|---|------------------|---|-------------------|-----------------------|---------------------------|-------------------|--|--|---|---|---|------------------|--|-----------------|
| | Audited | Part 5 Section V | Paid-in Capital | | | | | | | | | | | | | | | |
| I. | Prior period – 01.01 – 31.12.2015 | | | | | | | | | | | | | | | | | |
| | 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)

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | | 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 |
|--------|---|---------------------|--------------------|--|------------------|---|-------------------|-----------------------|---------------------------|-------------------|---|---|---|---|---|------------------|--|-----------------|
| I. | Current period – 01.01 – 31.12.2016 | | | | | | | | | | | | | | | | | |
| | Beginning balance | | 3.000.000 | - | 714 | - | 409.238 | - | 4.905.057 | (43.930) | - | 705.772 | (36.939) | - | 2.689 | 81.175 | - | 9.023.776 |
| | Changes in period | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| II. | Increase/decrease related to merger | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. | Marketable securities valuation differences | (1) | - | - | - | - | - | - | - | - | - | - | (67.145) | - | - | - | - | (67.145) |
| IV. | Hedging funds (effective portion) | | - | - | - | - | - | - | - | - | - | - | - | - | - | (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)**

FINANS 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)

FINANSBANK ANONİM ŞİRKETİ

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

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

VII. UNCONSOLIDATED PROFIT APPROPRIATION STATEMENT

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

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

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

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

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

FİNANS BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016
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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 accounting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXV below.

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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.

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2. Foreign currency transactions

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

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

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

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

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

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

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

IV. Explanations on forwards, option contracts and derivative instruments

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

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

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

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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.

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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.

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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.

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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.

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IX. Explanations on Netting of Financial Instruments

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

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

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

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

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

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

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

XI. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

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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.

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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.

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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.

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3. Transfer Pricing

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

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

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

XVIII. Explanations on Additional Explanations on Borrowings

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

XIX. Explanations on Share Issues

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

XX. Explanations on Confirmed Bills of Exchange and Acceptances

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

XXI. Explanations on Government Incentives

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

XXII. Explanations on Segment Reporting

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

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

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

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

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

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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

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

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

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

| | December 31, 2015^(*) |
|--|--|
| DEDUCTIONS FROM TIER I CAPITAL | 141.365 |
| Portion of goodwill and other intangible assets and the related deferred tax liabilities which not deducted from the Common Equity as per the 1st clause of Provisional Article 2 of the Regulation on the Equity of Banks (-) | 141.365 |
| Portion of net deferred tax assets/liabilities which is not deducted from the common equity pursuant to Paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-) | - |
| Total Tier I Capital | 8.718.705 |
| TIER II CAPITAL | |
| Debt instruments and premiums deemed suitable by the BRSA (issued/obtained after 1.1.2014) | - |
| Debt instruments and premiums deemed suitable by the BRSA (issued/obtained before 1.1.2014) | 1.736.305 |
| Sources pledged to the Bank by shareholders to be used in capital increases of the Bank | - |
| General Loan Loss Provisions | 805.676 |
| Tier II Capital Before Deductions | 2.541.981 |
| Direct and indirect investments of the Bank in its own Tier II Capital (-) | - |
| Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-) | - |
| Portion of the total of net long positions of investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank (-) | - |
| Other items to be defined by the BRSA (-) | - |
| Total Deductions from Tier II Capital | - |
| Total Tier II Capital | 2.541.981 |
| CAPITAL BEFORE DEDUCTIONS | 11.260.686 |
| Deductions from Capital | |
| Loans granted contrary to the 50th and 51th Article of the Law (-) | 15.456 |
| Net book value of amounts exceeding the limit mentioned in the 1st Paragraph of Article 57 of the Law and assets acquired against overdue receivables which could not be disposed of even though five years have passed since their acquisition date(-) | 13.246 |
| Loans granted to banks and financial institutions, including those established abroad, and to eligible shareholders of the Bank and investments made in the borrowing instruments issued by them (-) | - |
| Amounts to be deducted from equity as per the 2nd Clause of Article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-) | - |
| Other items to be defined by the BRSA (-) | 38.731 |
| Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-) | - |
| Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. (-) | - |
| Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks (-) | - |
| TOTAL CAPITAL | 11.193.253 |
| Amounts below the Excess Limits as per the Deduction Principles | 171.401 |
| Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital | - |
| Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital | 92.433 |
| Amounts arising from mortgage servicing rights | - |
| Amounts arising from deferred tax assets based on temporary differences | 78.968 |
| | December 31, 2015^(*) |
| Capital Requirements for Credit Risk (Related of Credit Risk Amount 0,08) (KRSY) | 5.156.328 |
| Capital Requirement for Market Risk (PRSY) | 85.370 |
| Capital Requirement for Operations Risk (ORSY) | 572.223 |
| Equity | 11.193.253 |
| Equity/(KRSY +PRSY+ORSY)*12,5*100 | 15,40% |
| Capital /((KRSY+PRSY+ORSY) *12,5*100) | 12,00% |
| Common Equity /((KRSY+PRSY+ORSY) *12,5*100) | 12,19% |

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

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Information on debt instruments included in the calculation of equity:

| | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Issuer (*) | QATAR NATIONAL BANK S.A.Q. | QATAR NATIONAL BANK S.A.Q. | QATAR NATIONAL BANK S.A.Q. | QATAR NATIONAL BANK S.A.Q. |
| Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | - | - | - | - |
| Governing law(s) of the instrument | BRSA | BRSA | BRSA | BRSA |
| Regulatory treatment | Supplementary Capital | Supplementary Capital | Supplementary Capital | Supplementary Capital |
| Transitional Basel III rules | Yes | Yes | Yes | Yes |
| Eligible at stand-alone / consolidated | Stand alone - Consolidated | Stand alone - Consolidated | Stand alone - Consolidated | Stand alone - Consolidated |
| Instrument type (types to be specified by each jurisdiction) | Loan | Loan | Loan | Loan |
| Amount recognized in regulatory capital (Currency in million, as of most recent reporting date) | 347 | 213 | 133 | - |
| Par value of instrument (Currency in million) | 1.148 | 706 | 442 | 918 |
| Accounting classification | Liability – Subordinated Loans-amortized cost | Liability – Subordinated Loans-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-g | 8-2-g | 8-2-g | 8-2-g |

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II. Explanations on Credit Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

(***) Includes assets and liability items that can not be allocated on a consistent basis.

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

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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 | 3.862.817 | 40.362.019 | 3.326.028 | 43.688.047 | |
| Total | 19.981.535 | 2.277 | 14.698 | - | - | 8.713.423 | 19.155.954 | 24.349.305 | 17.376.335 | 706.120 | 7.028.162 | - | - | - | 492 | - | 3.862.817 | 3.862.817 | 68.134.911 | 33.056.207 | 101.191.118 | |

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

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

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

| Prior Period Exposure Categories | Term to Maturity | | | | |
|--|------------------|------------------|------------------|------------------|-------------------|
| | Up to 1 month | 1-3 months | 3-6 months | 6-12 months | Over 1 year |
| Conditional and unconditional receivables from central governments and Central Banks | 2.371.669 | 13.060 | 7.102 | 31.632 | 8.525.431 |
| Conditional and unconditional receivables from regional or local governments | - | 296 | - | - | 1.934 |
| Conditional and unconditional receivables from administrative bodies and noncommercial enterprises | 1 | - | 2 | 14.506 | - |
| Conditional and unconditional receivables from multilateral development banks | - | - | - | - | - |
| Conditional and unconditional receivables from international organizations | - | - | - | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 1.747.121 | 1.203.221 | 186.307 | 263.216 | 1.197.118 |
| Conditional and unconditional receivables from corporates | 1.616.828 | 1.573.739 | 2.513.790 | 3.524.037 | 7.617.483 |
| Conditional and unconditional receivables from retail portfolios | 1.319.822 | 1.185.860 | 3.544.203 | 2.324.885 | 2.906.744 |
| Conditional and unconditional receivables secured by mortgages | 205.075 | 470.699 | 1.103.957 | 1.587.839 | 13.672.101 |
| Past due receivables | - | - | - | - | - |
| Receivables defined under high risk category by BRSA | 215 | - | - | 295.981 | 6.584.990 |
| Securities collateralized by mortgages | - | - | - | - | - |
| Securitization positions | - | - | - | - | - |
| Short-term receivables from banks, brokerage houses and corporates | - | - | - | - | - |
| Investments similar to collective investment funds | - | - | - | - | - |
| Other receivables | 4.225 | - | - | - | 109 |
| Total | 7.264.956 | 4.446.875 | 7.355.361 | 8.042.096 | 40.505.910 |

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

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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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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 |

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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.

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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.

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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

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In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)

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

- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario
- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items
- Stress testing framework encompasses reverse stress testing

Market Risk Management defines the stress test approaches as below;

- To move the risk factors parallel in one direction.
- To move the risk factors non parallel.
- To perform tests to the existing portfolio based on past extreme situations.

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

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

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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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 |

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Linkages between financial statements and risk amounts

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

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

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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.

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

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

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in trade portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

Definition of independent price approval processes:

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (bond, bill and derivative prices)
- Share prices
- Exchange rates
- Gold, other precious metals and commodity prices

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as “general market risk”.

Independency of price process is ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)

TL borrowing instruments included in securities portfolio of trading account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBT prices for TL securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio.

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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,

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

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

Risk governance model includes three lines of defense consisting of:

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

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

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, non-performing loans, watch list loans, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

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

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2) CR1 – Credit quality of assets:

| | | a | b | c | d |
|---|-----------------------------|-------------------------------------|-------------------------|-------------------------|--------------------|
| | | Gross carrying values of as per TAS | | | |
| | | Defaulted exposures | Non-defaulted exposures | Allowances/ impairments | Net values (a+b-c) |
| 1 | Loans | 3.840.927 | 62.310.161 | 3.227.857 | 62.923.231 |
| 2 | Debt Securities | - | 12.883.269 | - | 12.883.269 |
| | 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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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.

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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.

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B) Credit Risk Mitigation

1) KRC - Qualitative disclosure on credit risk mitigation techniques

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of the Bank.

The Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy during the counterparty risk measurement.

2) 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:

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

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2) 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

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

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

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

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1. Disclosures regarding counterparty credit risk

A) Qualitative disclosures regarding DCCR – CCR table:

- a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

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

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 |
|---|---|----------------------|-----------------------------------|------|---|---|--------------------------|
| | | Revaluati on 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 | | Collaterals Taken | Collaterals Given |
| | Reserved | Not Reserved | Reserved | Not Reserved | | |
| Cash-Local Currency | - | - | - | - | 1.495.044 | - |
| Cash – Foreign Currency | - | 3.272.578 | - | 377.338 | 3.525.142 | - |
| Government bond/bill- local | - | - | - | - | - | - |
| Government bond/bill - other | - | - | - | - | - | - |
| Publicly Establish bond/bill | - | - | - | - | - | - |
| Corporate bond/bill | - | - | - | - | - | - |
| Equity Share | - | - | - | - | - | - |
| Other Collateral | - | - | - | - | - | - |
| Total | - | 3.272.578 | - | 377.338 | 5.020.186 | - |

G) CCR6 – Credit derivatives exposures

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

H) CCR7 – RWA changes on CCR within the internal model method

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank

I) CCR8 – Exposures to central counterparties

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

5. Securitization exposures:

The Parent Bank has no securitization transactions.

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6. Disclosures regarding Consolidated Market Risk

A) MRD – Qualitative information which shall be disclosed to public related to market risk

- a) Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Trading accounts covers all derivative products except for financial assets held for trading, open exchange position and having hedging purposes.

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

- b) Risk Committee of the Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by Finans Bank.

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

The Group calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trade portfolio and also total risk of trade portfolio and Securities Available for Sale portfolio. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average.

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B) 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.

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III. Explanations on Foreign Currency Exchange Rate Risk

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

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

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

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

2. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

The Bank hedges foreign currency borrowings with derivative instruments. The Bank does not hedge net foreign currency investments with derivative instruments. (Details explaining Section Five Part three)

3. Bank's spot foreign exchange bid rates of the Bank as of the balance sheet date and for each of the five days prior to that date

| | |
|--|-----------|
| US Dollar purchase rate at the date of the balance sheet | 3,5318 TL |
| Euro purchase rate at the date of the balance sheet | 3,6939 TL |

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

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2016 are TL 3,4889 and TL 3,6813 respectively.

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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.

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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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| 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 |

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| 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

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

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

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

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

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

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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⁾ | | | | | | | | |
| Receivables from Derivatives | - | 253.881 | 211.482 | 542.068 | 1.780.421 | 17.668 | - | 2.805.520 |
| Liabilities from Derivatives | - | 18.107.138 | 15.611.275 | 16.160.452 | 22.547.162 | 5.609.532 | - | 78.035.559 |
| Non-cash Loans ⁽⁵⁾ | - | 682.951 | 1.432.264 | 4.438.990 | 2.025.020 | 325.772 | 4.279.013 | 13.184.010 |
| Prior Period | | | | | | | | |
| Total Assets | 3.582.103 | 20.221.368 | 6.896.648 | 19.047.087 | 22.454.934 | 10.419.997 | 3.105.260 | 85.727.397 |
| Total Liabilities | 7.550.745 | 37.175.354 | 12.592.576 | 6.690.986 | 7.459.212 | 3.474.920 | 10.783.604 | 85.727.397 |
| Liquidity Excess / Gap | (3.968.642) | (16.953.986) | (5.695.928) | 12.356.101 | 14.995.722 | 6.945.077 | (7.678.344) | - |
| Net Off Balance Sheet Exposure ⁽⁴⁾ | | | | | | | | |
| Receivables from Derivatives | - | 155.552 | 201.826 | 769.845 | 1.501.774 | 63.421 | - | 2.692.418 |
| Liabilities from Derivatives | - | 18.374.606 | 9.932.419 | 23.640.835 | 22.132.466 | 4.386.397 | - | 78.466.723 |
| Non-cash Loans ⁽⁵⁾ | - | 433.440 | 830.347 | 3.479.655 | 2.007.868 | 70.982 | 3.653.534 | 10.475.826 |

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column.

Unallocated other liabilities include shareholders' equity amounting to TL 10.126.328, unallocated provisions amounting to TL 1.768.642.

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

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

(4) Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet

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

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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 | 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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

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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".

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

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

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

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

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

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

IX. Explanations Related to Transactions Carried on Behalf of Others and Fiduciary Transactions

The Bank provides buying, selling and custody services and management and financial advisory services in the name of the third parties. The Bank does not involve in fiduciary activities.

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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

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

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

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

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

c) Loans according to their maturity structure

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

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

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

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

| | Short Term | Medium and Long Term | Total | Interest and Income Accruals |
|--|------------------|----------------------|-------------------|------------------------------|
| Commercial Loans with Installment Facility – TL | 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 Loans and receivables with limited collectability | IV. Group Loans and receivables with doubtful collectability | V. Group 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 Loans and receivables with limited collectability | IV. Group Loans and receivables with doubtful collectability | V. Group 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.

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

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

b) Information on the consolidated subsidiaries:

None.

8.2. Movements of investments in associates

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

8.3. Sectoral distribution of associates

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

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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 Communiqué on Right of Squeeze out and Sale issued by CMB numbered II-27.2, the right of sale of the other shareholder's has become effective within a period of foreclosure of three months (June 16, 2016 - September 16, 2016). As of December 31, 2016, the Bank's share in Finans Finansal Kiralama 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.

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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 affecting the overall financial statements, and the reason and conditions for this:

None (December 31, 2015- None)

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- c) **Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:**

None (December 31, 2015- None)

14. Explanations on intangible assets

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

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

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14. Information on tax asset

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

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

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

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

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

17. Information on assets held for sale and discontinued operations

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

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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 | | | | | | | | Accumulated | |
|----------------------------------|------------------|---------------|------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
| | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | 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 | | | | | | | | Accumulated | |
|----------------------------------|------------------|---------------|------------------|-------------------|------------------|----------------|------------------|------------------|-------------------|
| | Demand | 7 Days Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and Over | 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 |

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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 | 41.646 | 61.131 |
| Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004 | - | - |
| Saving deposits in banks established in Turkey exclusively for off-shore | - | - |
| Total | 92.684 | 66.838 |

2. Information on trading purpose derivatives

a) Negative value of trading purpose derivatives

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

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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 |

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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).

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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.

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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.

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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 | Capital Reserves Held |
|------------------|-----------------|------|-------------------------|-------------------------|
| | | | subject to the Increase | 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 |

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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 |

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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 | 101.628 | 1,42 | 84.316 | 1,40 | 76.266 | 1,27 | 72.025 | 1,61 |
| Transportation&Communication | 182.535 | 2,55 | 212.038 | 3,53 | 129.391 | 2,15 | 61.789 | 1,38 |
| Financial Institutions | 753.766 | 10,51 | 726.130 | 12,08 | 665.350 | 11,07 | 487.465 | 10,91 |
| Real Estate and Renting Services | 3.484 | 0,05 | 2.114 | 0,04 | 4.145 | 0,07 | 2.574 | 0,06 |
| Self-Employment Services | 257.428 | 3,59 | 46.888 | 0,78 | 211.077 | 3,51 | 36.507 | 0,82 |
| Educational Services | 5.747 | 0,08 | - | - | 6.667 | 0,11 | - | - |
| Health and Social Services | 256.662 | 3,58 | 207.372 | 3,45 | 237.506 | 3,95 | 130.872 | 2,93 |
| Other | 97.791 | 1,36 | 50.225 | 0,83 | 91.507 | 1,53 | 22.622 | 0,51 |
| Total | 7.171.006 | 100,00 | 6.013.004 | 100,00 | 6.009.442 | 100,0 | 4.466.384 | 100,00 |

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

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

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

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

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

5. Information on derivative financial instruments

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

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

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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.

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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.

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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- | | |

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IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT

1. a) Information on interest income received from loans

| | Current Period | | Prior Period | |
|-----------------------------------|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Short-Term Loans | 3.458.341 | 42.704 | 3.107.011 | 48.183 |
| Medium and Long-Term Loans | 3.623.367 | 516.563 | 3.025.029 | 386.720 |
| Non-Performing Loans | 94.501 | - | 123.260 | - |
| Resource Utilization Support Fund | - | - | - | - |
| Total | 7.176.209 | 559.267 | 6.255.300 | 434.903 |

b) Information on interest income from banks

| | Current Period | | Prior Period | |
|-----------------------------------|----------------|--------------|--------------|--------------|
| | TL | FC | TL | FC |
| T.R. Central Bank (*) | - | 756 | - | 1 |
| Domestic Banks | 2.422 | 23 | 1.095 | 7 |
| Foreign Banks | 1.494 | 5.222 | 156 | 1.850 |
| Foreign Headquarters and Branches | - | - | - | - |
| Total | 3.916 | 6.001 | 1.251 | 1.858 |

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

c) Information on interest income from securities portfolio

| | Current Period | | Prior Period | |
|--|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Held-for-Trading Financial Assets | 3.248 | - | 1.587 | 218 |
| Financial Assets at FVTPL | 4.231 | 219 | 8.595 | 575 |
| Investment Securities Available for Sale | 362.729 | 121.143 | 315.146 | 105.891 |
| Investment Securities Held to Maturity | 278.755 | 72.163 | 273.657 | 42.870 |
| Total | 648.963 | 193.525 | 598.985 | 149.554 |

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. In this context, the estimated inflation rate used is updated during the year when necessary. In this context, as of December 31, 2016, valuation of such assets is made according to estimated annual inflation rate of 7,16%.

d) Information on interest income received from associates and subsidiaries

| | Current Period | Prior Period |
|--|----------------|--------------|
| Interest Received from Associates and Subsidiaries | 11.808 | 6.377 |

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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)

| Account | Time Deposits | | | | | | Accumulated Deposit Account | Total |
|-------------------------|--------------------|------------------|-------------------|-------------------|-----------------|----------------|-----------------------------------|------------------|
| | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | Over 1 Year | | |
| Turkish Lira | | | | | | | | |
| Bank Deposits | - | 18.523 | 6.312 | 237 | 427 | - | - | 25.499 |
| Saving Deposits | - | 234.421 | 1.586.095 | 66.009 | 33.551 | 92.527 | - | 2.012.603 |
| Public Sector Deposits | - | 288 | 6.707 | 159 | 241 | 12 | - | 7.407 |
| Commercial Deposits | 1 | 182.099 | 454.173 | 59.184 | 21.198 | 19.613 | - | 736.268 |
| Other Deposits | - | 3.685 | 70.692 | 28.024 | 44.211 | 1.693 | - | 148.305 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Total | 1 | 439.016 | 2.123.979 | 153.613 | 99.628 | 113.845 | - | 2.930.082 |
| Foreign Currency | | | | | | | | |
| Deposits | - | 28.802 | 277.304 | 19.137 | 5.452 | 9.424 | - | 340.119 |
| Bank Deposits | 98 | 16.191 | 5.655 | 968 | - | - | - | 22.912 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 659 | - | - | - | - | - | 659 |
| Total | 98 | 45.652 | 282.959 | 20.105 | 5.452 | 9.424 | - | 363.690 |
| Grand Total | 99 | 484.668 | 2.406.938 | 173.718 | 105.080 | 123.269 | - | 3.293.772 |

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Information on maturity structure of interest expense on deposits (Prior Period)

| Account | Time Deposits | | | | | | Accumulated Deposit Account | Total |
|-------------------------|-----------------|----------------|------------------|----------------|---------------|----------------|-----------------------------|------------------|
| | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | Over 1 Year | | |
| Turkish Lira | | | | | | | | |
| Bank Deposits | - | 12.979 | 2.050 | - | - | - | - | 15.029 |
| Saving Deposits | - | 199.374 | 1.321.852 | 44.370 | 22.409 | 109.226 | - | 1.697.231 |
| Public Sector Deposits | - | 1.830 | 9.105 | 111 | 37 | 1 | - | 11.084 |
| Commercial Deposits | - | 177.411 | 400.396 | 33.269 | 11.597 | 15.229 | - | 637.902 |
| Other Deposits | - | 6.286 | 125.806 | 2.950 | 32.170 | 20.652 | - | 187.864 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Total | - | 397.880 | 1.859.209 | 80.700 | 66.213 | 145.108 | - | 2.549.110 |
| Foreign Currency | | | | | | | | |
| Deposits | - | 29.694 | 211.119 | 8.305 | 3.316 | 10.559 | - | 262.993 |
| Bank Deposits | 25 | 14.170 | 3.249 | 180 | - | - | - | 17.624 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 645 | - | - | - | - | - | 645 |
| Total | 25 | 44.509 | 214.368 | 8.485 | 3.316 | 10.559 | - | 281.262 |
| Grand Total | 25 | 442.389 | 2.073.577 | 89.185 | 69.529 | 155.667 | - | 2.830.372 |

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

| | Current Period | | Prior Period | |
|---|----------------|--------|--------------|--------|
| | TL | FC | TL | FC |
| Interest Expense on Repurchase Agreements (*) | 180.552 | 31.493 | 190.027 | 15.266 |

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

f) **Information on finance lease expenses**

| | Current Period | Prior Period |
|------------------------|----------------|--------------|
| Finance Lease Expenses | 145 | 212 |

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

None (December 31, 2015 – None).

3. **Information on dividend income**

| | Current Period | Prior Period |
|---|----------------|---------------|
| From Trading Securities | - | - |
| From Financial assets at fair value through profit and loss | - | - |
| From Available for Sale Financial Assets | - | - |
| Other | 57 | 62.872 |
| Total | 57 | 62.872 |

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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 |

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7. Information on other operating expenses

| | Current Period | Prior Period |
|---|-----------------------|---------------------|
| Personnel costs | 1.138.118 | 1.041.885 |
| Reserve for employee termination benefits | 15.886 | 14.372 |
| Provision for pension fund deficits | - | - |
| Impairment losses on tangible assets | - | - |
| Depreciation charge of tangible assets | 139.609 | 117.504 |
| Impairment losses on intangible assets | - | - |
| Impairment losses on goodwill | - | - |
| Amortization charge of intangible assets | 106.812 | 91.810 |
| Impairment losses on investments under equity method of accounting | - | - |
| Impairment losses on assets to be disposed of | - | - |
| Depreciation on assets to be disposed | 6.164 | 4.050 |
| Impairment charge of assets held for sale and discontinued operations | - | - |
| Other operating expenses | 917.505 | 870.426 |
| <i>Operational lease related expenses</i> | <i>223.672</i> | <i>224.167</i> |
| <i>Repair and maintenance expenses</i> | <i>123.767</i> | <i>92.983</i> |
| <i>Advertisement expenses</i> | <i>80.002</i> | <i>66.425</i> |
| <i>Other expenses</i> | <i>490.064</i> | <i>486.851</i> |
| Losses on sales of assets | 2.726 | 6.499 |
| Other (*) | 473.664 | 590.656 |
| Total | 2.800.484 | 2.737.202 |

(*) Comprising repayments amounting to TL 76.304 (December 31, 2015: TL 166.703) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the period ended December 31, 2016, net interest income in regards to continued operations of TL 4.504.103 (December 31, 2015 – 3.947.235), net fees and commission income of TL 1.362.603 (December 31, 2015 – TL 1.313.835) and other operating income of TL 410.535 (December 31, 2015 – TL 225.997) 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).

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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.

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SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of available for sale securities

Net decrease of TL 175.894 (December 31, 2015 – TL 192.403 net increase) after tax effect resulting from valuation of available for sale securities at fair values is included in “Securities Value Increase Fund” account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on 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.

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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 |

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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.

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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.

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

| Bank's Risk Group ^(*) | Associates and Subsidiaries | | Bank's Direct and Indirect Shareholders | | Other Legal and Real Persons in Risk Group ^(**) | |
|--|-----------------------------|--------------|---|--------------|--|--------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Transactions for Trading Purposes | | | | | | |
| Beginning of the Period | - | 140.998 | 168.641 | 134.496 | 74.646 | 102.824 |
| End of the Period | 104.180 | - | - | 168.641 | - | 74.646 |
| Total Income/Loss ^(***) | 2.120 | (1.063) | - | (4.077) | - | 1.693 |
| Transactions for Hedging Purposes | | | | | | |
| Beginning of the Period | - | - | - | - | - | - |
| End of the Period | - | - | - | - | - | - |
| Total Income/Loss ^(***) | - | - | - | - | - | - |

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

(**) Includes the derivative transactions between the Bank's indirect subsidiaries.

- 1.4.** As of December 31, 2016, the total amount of remuneration and bonuses paid to top management of the Bank is TL 63.247 (December 31, 2015 – TL 52.553).

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

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

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

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

As of December 31, 2016, cash loans of the risk group represented 0,4% of the Bank's total cash loans (December 31, 2015 – 0,3%), the deposits represented 0,5% of the Bank's total deposits (December 31, 2015-1,1%) and derivative transactions represented 0% of the Bank's total derivative transactions (December 31, 2015 – 0,2%).

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Bank enters into finance lease agreements with Finans Finansal Kiralama A.Ş. As of December 31, 2016, the Bank has net finance lease payables to Finans Finansal Kiralama A.Ş. amounting to TL 940 (December 31, 2015 - TL 1.904) relating with finance lease agreements.

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

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

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12.

The Bank provides agency services to Cigna Finans Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49% shares held by the Bank.

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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 | - | - | | - | - |

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SECTION SIX

OTHER EXPLANATIONS AND DISCLOSURES

I. Other explanations related to the Bank's operations

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

The Bank made a bond issuances at a nominal amount of TL 63.630 having 10,65% interest rate with 91 days and at a nominal amount of TL 39.370 having 11,10% interest rate with 171 days maturity on January 13, 2017 and at a nominal amount of TL 53.658 having 11,00% interest rate with 92 days maturity on January 17, 2017 and at a nominal amount TL 411.950 having 11,50% interest with 91 days maturity on January 20, 2017 and at a nominal amount TL 108.800 having 11,50% interest with 101 days maturity and at a nominal amount TL 66.758 having 11,10% interest with 92 days maturity on January 24, 2017 and at a nominal amount TL 160.170 having 11,55% interest with 103 days maturity on February 2, 2017.

The Bank made a Eurobond issuance at a nominal amount of USD 3.000.000 having 2,30% interest rate with 90 days maturity on January 11, 2017 and at a nominal amount of USD 24.000.000 having 2,45% interest rate with 90 days maturity on January 19, 2017.

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

None.

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

FİNANS BANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD END DECEMBER 31, 2016

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

SECTION SEVEN

INDEPENDENT AUDIT REPORT

I. Explanations on the Independent Audit Report

The unconsolidated financial statements for the period ended December 31, 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's report dated February 3, 2017 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2015 – None).