



Annual Report 2016





Contents

- 1 Corporate Profile
- 1 Shareholding Structure
- 2 Financial Highlights
- 3 Finans Leasing's Strategy
- 3 Key Competitive Advantages of Finans Leasing
- 4 Message from the Management
- 9 Milestones of QNB Finans Leasing
- 10 Board of Directors and Management
- 12 Sectoral Developments in 2016
- 14 Activities in 2016
- 18 Sales & Marketing Branch Network
- 19 About Qatar National Bank (QNB Group)
- 21 Corporate Governance Principles
Compliance Report
- 29 Independent Auditor's Report
- 32 Financial Statements and Notes to the
Financial Statements
- 75 Shareholders' Information
- 76 Company Directory

Corporate Profile

- Finans Leasing was established in 1990 as the 5th leasing company in Turkey.
- In 1993, Finans Leasing's shares were offered to the public through an IPO.
- In 2002, the Company merged with Finans Deniz Leasing.
- In 2006, Finansbank sold its 46% stake in the Company to National Bank of Greece SA (NBG) and Finans Leasing became a member of the NBG Group.
- As of 21 December 2015, NBG signed a share sale agreement for the sale of its 99.81% shares in Finansbank to the Qatar National Bank (QNB) for EUR 2,750 million.
- On 8 February 2016, the shares held by NBG corresponding to 29.87% of the Company's paid-in capital were purchased by Finansbank.
- The shares of the Company were transferred to the QNB Group on 15 June 2016.
- QNB Finans Leasing commands strong geographical coverage with 13 branches throughout Turkey.
- The Company is a member of the Association of Financial Leasing, Factoring and Financing Companies (AFI).
- QNB Finans Leasing provides flexible options, meeting the expectations of its clients.
- The Company's shares are traded on the Borsa İstanbul (BIST) under the FFKRL ticker.
- As of 31 December 2016 QNB Finans Leasing;
 - had total assets of TL 2.8 million.
 - commanded a 8% market share in the Turkish leasing market.

Shareholding Structure

(as of 31 December 2016)



“ On 8 February 2016, the shares held by NBG corresponding to 29.87% of the Company's paid-in capital were purchased by Finansbank. ”

Financial Highlights

In 2016, QNB Finans Leasing continued to deliver strong financial performance.

“In 2016, QNB Finans Leasing’s total assets grew by 26% while its income before tax was up by 11%.”

Balance Sheet (TL thousand)	2014	2015	2016
Leasing Receivables, net	1,540,007	1,947,904	2,706,599
Total Assets	1,769,392	2,216,340	2,801,188
Funds Borrowed	1,047,547	1,353,994	1,414,105
Debt Securities Issued	77,880	168,978	565,195
Shareholders' Equity	561,489	614,683	672,824

Income Statement (TL thousand)	2014	2015	2016
Net Interest Income	88,264	111,051	135,226
Income Before Tax	57,780	67,362	74,588
Net Income for the Year	46,396	53,212	58,164

Leasing Receivables, Net
TL 2,706,599 +39%

Total Assets
TL 2,801,188 +26%

Shareholders' Equity
TL 672,824 +9%

Net Interest Income
TL 135,226 +22%

Total Assets (TL million)

2016	2,801
2015	2,216
2014	1,769

Leasing Receivables, net (TL million)

2016	2,707
2015	1,948
2014	1,540

Net Interest Income (TL million)

2016	135
2015	111
2014	88

Message from the Management

Today more client-focused and innovative in its approach than ever, our Company's ability to come up with unique and original solutions to clients' problems enables it to defend its position among the sector's leading players.



Sinan Şahinbaş
Chairman



Metin Karabiber
General Manager,
Member of the Board of Directors

“It appears that the net growth in global trade in 2016 was at the lowest level witnessed since the depths of the global economic crisis.”

Global growth did not materialize as expected in 2016.

Adverse global developments contrary to markets' expectations made 2016 a difficult year in which growth and trade figures fell short of projections and in which geopolitical risks were exacerbated generally but especially by heightened tensions in the Middle East.

The developments that most preoccupied international markets' agenda in 2016 were the UK's "Brexit" referendum leading to the country's decision to pull out of the European Union, the slowdown in the Chinese economy, presidential and congressional elections in the United States, and the US Federal Reserve Bank's decision to begin raising interest rates late in the year in line with observed improvements in the national economy.

Taking stronger growth in the US into account, the Fed announced a quarter-point rise in its policy rate at the year's last meeting in December while also signaling that it might have recourse to three rather than just two additional rises in 2017 providing that developments in the economy warranted them. This not only provoked a surge in the value of the US dollar against other countries' currencies but also pushed up long-term interest rates, fueled losses in the world's bond and bill markets, and caused funds to flow out of developing countries.

global

Adverse global developments contrary to markets' expectations made 2016 a difficult year in which growth and trade figures fell short of projections.

2.9%

In 2016, the Turkish economy grew by 2.9% on a twelve-month basis.

measures

The government introduced a package of measures broadly aimed at invigorating the national economy.

With developed countries in general still unable to achieve anything like an enduring upward momentum in their growth performance in the aftermath of the global economic crisis, both the US and Japan adhered to loose monetary policies aimed at stimulating economic activity. Looking at employment, inflation, and growth figures, it is apparent that not only has the euro area been unable to achieve anything like the recovery taking place in the US but also that it is still at risk of being caught up in a downward spiral of deflation driven by weak demand.

It appears that the net growth in global trade in 2016 was at the lowest level witnessed since the depths of the global economic crisis. The failure of demand in developed countries to return to pre-crisis levels of vigor is one reason for this but the spread of protectionist measures in foreign trade appears to be the most important contributor to the sluggishness in international trade growth. However another strongly contributing factor adversely impacting on global growth and trade is the consumption-focused growth model to which the Chinese economy has been adhering for the last six years.

Growth in the Turkish economy remains on course.

Annual growth rates in excess of 4% in recent years even as the US, China, and European countries that shape the world economy were confronted by growth problems was a factor that burnished the appeal of the Turkish economy.

Although remaining on the course of moderate growth during the first half of 2016, the Turkish economy began to contract in the third quarter owing to political developments at home and to mounting geopolitical problems abroad. It was at this juncture that the government introduced a package of measures broadly aimed at invigorating the national economy. As a result of these measures and with the support of a strong financial system, the economic contraction experienced in the third quarter was followed in the fourth by a return to the path of growth, which ended up at 2.9% on a twelve-month basis in 2016.

The addition of an attempted military coup on 15 July to existing political developments, geopolitical risks, and the macroeconomic pressures exerted by global conditions worsened country risk perceptions concerning Turkey. A rampant US dollar in the wake of that country's November elections triggered fund outflows from developing countries, whose currencies fell against the dollar. The Turkish lira was one of those that suffered the most of all from this process and in order to stave off further depreciation and to support the lira, some public agencies converted their foreign currency assets to liras.

Citing a worsening outlook, Standard & Poor's lowered Turkey's country rating as subsequently did Moody's, which reduced its rating to below investment grade.

Message from the Management

continued

In 2016 our Company continued to concentrate on the SME and commercial customer segments.

USD 6.1 billion

Turkey's leasing companies wrote USD 6.1 billion worth of business last year.

a new rule

A new rule concerning sale-and-leaseback financial transactions was introduced in 2016.

“ Although 2016 was a torpid year for our industry as a whole, QNB Finans Leasing made significant gains. ”

Rapid attrition in the value of the Turkish lira fueled a rise in the year-end inflation figure. Having already reduced interest rates seven times (for a total of 250 basis points in all) during 2016, the Central Bank of Turkey then found it necessary to raise them in order to counter an excessive rise in exchange rates. In November the central bank had recourse to a 50 BP interest rate hike while also taking steps to reduce TL market liquidity.

Having been severely tested by these developments in every respect during 2016, the Turkish economy is likely to undergo new trials as a result of them in 2017 as well.

For the Turkish leasing industry, 2016 was a dull year overall. An investment climate made fragile by global and domestic economic and political developments whose effects were likely to have a long-term impact resulted in a year-on decline of 4% in the industry's total business volume as measured on a USD basis. Turkey's leasing companies wrote USD 6.1 billion worth of business last year.

A new rule concerning sale-and-leaseback financial transactions was introduced allowing any and all manner of movable properties to qualify for the same corporation and added-value tax exemptions as real estate properties impacted favorably on sale-and-leaseback deals. Looking at a product-group breakdown of our 2016 operations, we see that business and construction machinery, which accounted for a 25% share of the total, was followed in turn by real estate properties and by other machinery and equipment at 24% and 17% respectively.

We foresee that these changes in the legal framework will impart favorable momentum to our industry in terms of both business volumes and client numbers in the period ahead while also further increasing its market penetration.

Our experience is what distinguishes us in financial leasing.

As one of the first leasing companies to be established in Turkey, QNB Finans Leasing has more than a quarter of a century of service experience. Today more client-focused and innovative in its approach than ever, our Company's ability to come up with unique and original solutions to clients' problems enables it to defend its position among the sector's leading players.

QNB Finans Leasing was one of the first leasing companies in Turkey to set up a branch network giving it an extensive national reach. Having analyzed the needs especially of small- and medium-sized enterprises, today QNB Finans Leasing is the hub of a service network of thirteen branches located around the country, one of them in a free zone.

Although 2016 was a torpid year for our industry as a whole, QNB Finans Leasing made significant gains especially in new client acquisitions through a strong marketing effort that boosted its market share from 5% to 8% year-on.

39%

During 2016 QNB Finans Leasing increased its leasing receivables by 39%.

USD 493 million

The Company's business volume was also up by a hefty 54% and reached USD 493 million in value.

change

As the process of change and transformation unfolds at our Company, we are developing our marketing operations in terms of both organization and infrastructure.

During 2016 QNB Finans Leasing increased its leasing receivables by 39% to TL 2.7 billion. The Company's business volume was also up by a hefty 54% and reached USD 493 million in value.

In 2016 our Company continued to concentrate on the SME and commercial customer segments while also increasing its market share in business lines that previously accounted for relatively smaller shares of its portfolio. The sectors contributing the biggest shares to our business last year were construction (22.4%), general manufacturing (15.5%), and textiles (14.6%).

Real estate together with solar power and other forms of renewable energy have begun to contribute significantly to our expansion into other business lines. As of this writing our Company has provided financing for solar power projects with an aggregate generation capacity of about 100 megawatts and our goal is to increase our involvement in such investments over time.

As the process of change and transformation unfolds at our Company, we are developing our marketing operations in terms of both organization and infrastructure while also making important progress in digitalization in order to improve speed and service quality.

2016 was also a year in which our Company experienced a number of important changes. On 22 December 2015, National Bank of Greece SA signed an agreement with Qatar National Bank SAQ (QNB Group), a leading financial services provider in the Middle East and North Africa and also Qatar's biggest bank, to sell its 99.81% stake in Finansbank A.Ş. for EUR 2.75 billion.

After receiving required approvals from national authorities, the bank's stake in Finans Finansal Kiralama A.Ş. was also transferred to the QNB Group on 15 June 2016. With the completion of this transfer to such a robustly-capitalized owner, QNB Finans Leasing embarked upon a new era in the conduct of its business.

Since 2013, the QNB Group has been ranked by Bloomberg Markets, a leading supplier of business, finance, and economic news, in its list of the world's strongest banks. Also since 2013, the magazine Global Finance has likewise included QNB in its list of the world's fifty safest banks. QNB has been awarded high credit ratings by leading international rating agencies and it currently holds the highest rating of any foreign bank with a presence in Turkey.

With the arrival of a new owner there were also changes in our Company's management with former general manager A. Murat Alacakaptan turning the rudder over to Metin Karabiber. We take this opportunity to thank Mr. Alacakaptan for his efforts on behalf of our Company.

Message from the Management

continued

QNB Finans Leasing is committed to creating ever more value for all of its stakeholders and for the national economy.

TL 868.5 million

In the three years to January 2017, QNB Finans Leasing issued bonds & bills worth a total of TL 868.5 million.

rising star

Another of our 2017 goals is to make QNB Finans Leasing our industry's rising star.

“ We are making every possible effort to diversify our funding resources and to reduce our costs as much as possible through special project loans. ”

We are now in the process of diversifying our sources of funding. Taking advantage of its solid financial structure, QNB Finans Leasing borrowed approximately USD 436 million from various domestic and international banks and financial institutions during 2016.

On 4 October 2016 our Company received another Capital Markets Board license to issue bonds and bills. This license, the fourth to be granted to our Company, has a TL 1.5 billion limit and TL 178.8 million worth of instruments had been issued under it as of end-2016. In the three years to January 2017, QNB Finans Leasing issued bonds & bills worth a total of TL 868.5 million.

An even stronger QNB Finans Leasing

An important and distinguishing feature of QNB Finans Leasing's strong equity and shareholder structure is the diversity of non-group resources.

Following National Bank of Greece's sale of Finansbank to QNB, the change in ownership also began to have a favorable impact on our borrowing costs towards the end of 2016. Our goals in 2017 include further reducing our borrowing costs, adding new correspondents to our portfolio and taking part in new projects, and further advancing our existing position in the sector.

We are making every possible effort to diversify our funding resources and to reduce our costs as much as possible through special project loans. Another of our 2017 goals is to make QNB Finans Leasing our industry's rising star.

QNB Finans Leasing is committed to creating ever more value for all of its stakeholders and for the national economy by pursuing sustainable and profitable growth with full support of a new owner whose strength and reliability are acknowledged throughout the global arena. With that in mind we therefore take this opportunity to extend our thanks to our clients, with whom we have grown by recognizing them as our business partners, for their confidence in us; to our shareholders for their support; and to all of our employees for their efforts.

Sinan Şahinbaş
Chairman

Metin Karabiber
General Manager,
Member of the
Board of Directors

Milestones of QNB Finans Leasing

Finans Leasing was one of the very first companies to be established in the sector. Since its inception, the Company has earned a well-deserved reputation for strength and stability.

1990

- Finans Leasing was established, as the 5th leasing company in Turkey.

1992

- Ankara Branch (1st) was opened.

1993

- Finans Leasing went through an IPO, where 20% of its shares were offered to public.

1996

- İzmir Branch was opened.

1998

- Four new branches were opened in Adana, Bursa, İstanbul free trade zone and Gaziantep.

2001

- SME focused strategy was adopted.

2002

- Finans Leasing merged with Finans Deniz Leasing.

2003

- Customer Credit Scoring System was applied for the first time.

2005

- Antalya, İkitelli and DES branches were opened.
- Internal Audit Department was set up.
- Finans Leasing was rated by Moody's Rating.

2006

- İzmit Branch was opened.
- Finansbank merged with NBG.

2007

- A new leasing software application was launched.

2008

- Risk Follow-up Department was set up.

2009

- Asset Management Department was established.
- Moody's credit rating system was implemented.

2010

- Risk Management Unit was set up.

2013

- Internal control function was implemented.

2014

- Diyarbakır and Gebze branches were opened.

2015

- Finans Leasing is rated by Fitch Ratings. F/C & L/C rating is positive watch. BBB(-), stable.

2016

- The shares of the Company were transferred to the QNB Group on 15 June 2016.
- QNB Finans Leasing was included in the European Federation of Leasing Company Associations' list of Europe's top 50 leasing companies for the first time.

Board of Directors and Management

Board of Directors

Sinan Şahinbaş	Chairman of the Board - Executive
Adnan Menderes Yayla	Vice Chairman of the Board - Non-executive
Metin Karabiber	Board Member & General Manager - Executive
Filiz Sonat	Board Member - Executive
A. Murat Alacakaptan	Board Member - Executive
Turhan Cemal Beriker	Independent Board Member - Non-executive
Osman Necdet Türkay	Independent Board Member - Non-executive

Management



Metin Karabiber
General Manager and
Member of the Board of Directors



Semra Karsu
Assistant General Manager, CFO



M. Fatih Kızıltan
Assistant General Manager



Ateş Yenen
Assistant General Manager

Metin Karabiber

General Manager and
Member of the Board of Directors

Born in 1961 in Adana. He is a graduate of Çukurova University, Industrial Engineering Department. He began his banking career at Interbank in 1985 as a Marketing Specialist. He worked as a Branch Manager at İktisat Bankası from 1990 to 1995, at Demirbank from 1995 to 1997, at Finansbank between 1997 and 1998 and at Sümerbank as an Executive Vice President between the years 1998 and 1999. In 1999 he joined Dışbank as Karaköy Branch Manager and he took role in Haliç Region as a Regional Manager between 2000 and 2004. In January 2004, he has been appointed to the position of Executive Vice President of SME Group. He served as the Executive Vice President responsible for Retail Banking Sales Management between April 2007 and September 2010. Having joined Finansbank A.Ş. in 2010 as Vice General Manager responsible for Commercial Banking, Karabiber was appointed in October 2013 as Vice General Manager for SME and Agricultural Banking.

Semra Karsu

Assistant General Manager, CFO

Born in 1967, Mrs. Karsu graduated from Notre Dame de Sion High School and holds a BA in Business Administration and MBA from Istanbul University. Mrs. Karsu started her business career in 1990 in Garanti Leasing and joined Finans Leasing in 1996 as Manager responsible for Budget, Financial Control and Accounting. In 1999, she became Financial Control and Operation Group Manager and in 2002, she was appointed as Assistant General Manager responsible for Operations, Financial Control, Accounting, Finance, Credit Follow-up and Legal Departments. She held Audit Committee member position in FİDER between 2011-2013.

M. Fatih Kızıltan

Assistant General Manager

Born in 1957, Mr. Kızıltan holds a BA in Business Administration from Marmara University. Following his position in Yapı Kredi Bank as Credit Risk Control Specialist, he joined Finans Leasing in 1990 as Credit Manager. He became Group Manager in Credit Department in 2000 and in March 2008 he was promoted as the Assistant General Manager responsible from the Credit Department.

Ateş Yenen

Assistant General Manager

Born in 1969, Mr. Yenen graduated from TED Ankara College and then from the Department of Economics at Hacettepe University. Mr. Yenen started his career in 2000 at Finansbank, where he first served as Ankara Corporate Branch Manager and then as the Corporate Banking Group Manager in 2008. Worked as the Group Manager of Large Commercial Banking Sales at Finansbank since 2010, Mr. Ateş Yenen was appointed as the Assistant General Manager responsible for sales at Finans Leasing in 2012.

Sectoral Developments in 2016

USD 320.6 million

The business volume of the industry registered a decline of 4% as compared with 2015.

3%

The total number of contracts written last year was 23,751: up by 3% as compared with 2015.

“Looking at a product-group breakdown of the investments financed through leasing in 2016 we see that business and construction machinery accounted for a 25% share of the total.”

Economic and political developments in 2016 led to decreases in investment and consequently in the volume of the leasing industry's business.

Economic and political developments in 2016 led to decreases in investment and consequently in the volume of the leasing industry's business.

The twenty-six leasing companies that operate as members of the Association of Financial Institutions wrote business worth a total of USD 6,129,771 during 2016. While this represents a 4% decline as compared with 2015, it also corresponds to an 8% increase in the average transaction value on a Turkish-lira basis.

Turkey's leasing industry had 58,373 registered clients as of end-2016. The total number of contracts written last year was 23,751: up by 3% as compared with 2015.

Looking at a product-group breakdown of the investments financed through leasing in 2016 we see that heavy equipment and construction machinery accounted for a 25% share of the total. This was followed in turn by real estate properties (24%), other machinery and equipment (17%), and textile & metal processing machinery (7%).

Looking next at a sectoral breakdown of the leasing industry's business in 2016 we see that there was very little year-on change with services, manufacturing, and agriculture accounting for 46.5%, 44.9%, and 3.3% shares respectively.

Statute 6728 amending various laws with the aim of improving Turkey's investment environment was passed last year and went into effect with its publication in the official gazette

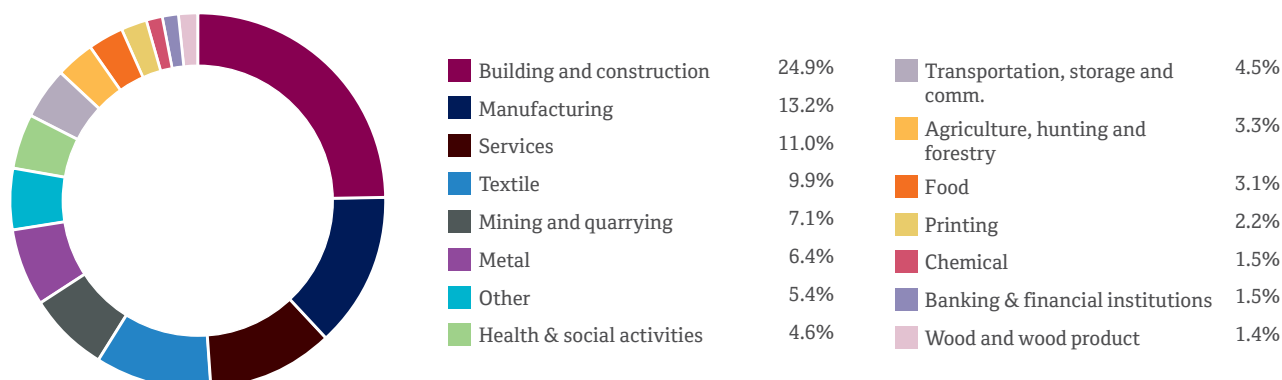
in August. This law made changes in the existing legal framework that cleared up a number of uncertainties as to the applicability of corporation tax and added-value tax exemptions to contracts involving sale-and-leaseback financial transactions. By reducing ancillary charges such as corporation and added-value tax, title fees, stamp duty, and excises on such contracts, this was a significant development that benefits both leasing companies and investors.

Under a newly-introduced rule concerning sale-and-leaseback financial transactions, contracts involving any and all manner of movable properties qualify for the same corporation and added-value tax exemptions that real estate properties enjoy. This change enables companies with machinery and equipment assets that still have second-hand (resale) value to generate funding by selling and leasing the assets back under contracts that attract neither of those taxes.

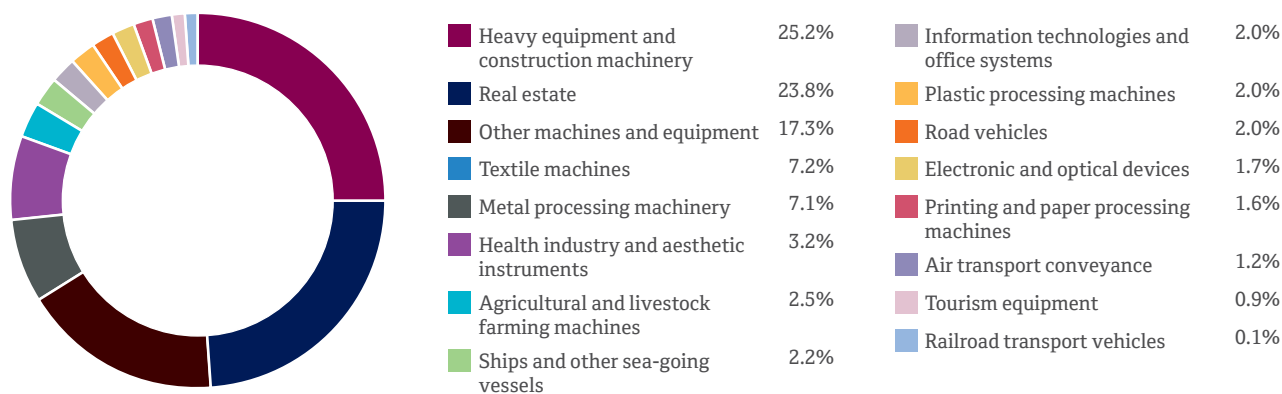
Companies that buy and sell real estate now also qualify for a corporation tax exemption when they sell and leaseback real estate properties that they own for the purpose of conducting their business.

Another important development in the regulatory framework involved the resolution of a problem in real estate leasing that imposed additional costs on lessees in the form of the duplicate payment of title fees. Such leases are now exempt from these fees when title is transferred back.

Breakdown of Leasing Volume by Type of Sector (%)



Breakdown of Leasing Volume by Type of Asset (%)



Total Assets (TL billion)

2016	48.5
2015	40.7
2014	32.5

Receivables (TL billion)

2016	44.0
2015	36.7
2014	29.5

Transaction Volume (TL billion)

2016	18.6
2015	17.3
2014	17.1

Activities in 2016

QNB Finans Leasing increased its leasing receivables by 39% year-on, thereby also increasing its overall sectoral market share by three percentage points to 8%.

TL 2,707 million

As of end-2016, QNB Finans Leasing had net leasing receivables amounting to TL 2,707 million in value.

“QNB Finans Leasing last year continued to support both large and small businesses (but especially SME) in different business lines by financing their investments.”

A strong performance in the tough circumstances of 2016

As a result of a generally strong performance during a year that was sluggish for the leasing industry as a whole, QNB Finans Leasing increased its leasing receivables by 39% year-on, thereby also increasing its overall sectoral market share by three percentage points to 8%.

Drawing on deep-rooted experience and market acumen to come up with solution alternatives that exactly satisfy a client's wishes and expectations as well as on its robust capitalization and access to funding resources, QNB Finans Leasing last year continued to support both large and small businesses (but especially SME) in different business lines by financing their investments. During 2016 QNB Finans Leasing wrote 2,121 new contracts—a 6.5% year-on increase in the total number—while the average contract value grew by

44.4% to USD 233 thousand. The USD 493 million worth of business which the Company wrote in 2016 was also up by 53.8% year-on.

As of end-2016, QNB Finans Leasing had net leasing receivables amounting to TL 2,707 million in value. The Company also continued to maintain a balanced portfolio in which the top three sectors—construction, general manufacturing, and textiles respectively accounted for 22.4%, 15.5%, and 14.6% shares of its leasing receivables.

SME make up the biggest share of our portfolio.

SME are regarded as the engines of the national economy and QNB Finans Leasing has been steadily increasing its share of the investments undertaken by companies in this segment year after year.

	2013	2014	2015	2016	2015-2016 (%)
Business volume (in USD million)	358.18	471.16	320.60	493.00	53.77%
Number of new contracts	1,764	2,011	1,992	2,121	6.48%
Market share	5.12%	6.17%	5.04%	8.04%	59.67%
Total leasing industry volume (in USD)	6,990	7,637	6,365	6,130	-3.69%
Average contract size (in USD)	203,048	234,291	160,944	232,438	44.42%

42%

As of end-2016, SME made up a 42% share of the Company's client portfolio.

“Thanks to technology-supported and effectively-defined risk management processes, QNB Finans Leasing is able to achieve and maintain a high level of asset quality.”

As of end-2016, SME made up a 42% share of the Company's client portfolio, and the “microbusiness” category made up a 27% share. This portfolio structure is evidence of the support that QNB Finans Leasing provides to a client base that is vital to our country's economy.

The Company constantly enhances client satisfaction not only because of its financing resources and its ability to create excellent solutions but also through the speed and effectiveness of its technological infrastructure and operational processes.

We have effective risk management processes and superior asset quality.

Thanks to technology-supported and effectively-defined risk management processes, QNB Finans Leasing is able to achieve and maintain a high level of asset quality. The Company's enduring success in this area is confirmed by its low non-performing

loan ratio, which was 5.8% as of year-end 2016. The Company intends to reduce this even further by means of asset sales that it plans to undertake in the period ahead.

Along with effective risk management, QNB Finans Leasing is also mindful of maintaining a risk exposure that is rational and diverse in terms of its geographical and client distribution. An analysis of the Company's risk exposure over the years shows that its top 10, 20, and 50 clients accounted for lower shares of its overall risk in 2016 than ever before.

Breakdown of Net Lease Receivables

(%)



Building and construction	22.4%	Food	3.9%
Manufacturing	15.5%	Mining and quarrying	3.8%
Textile	14.6%	Automotive	3.3%
Health & social activities	7.8%	Transportation and storage	3.2%
Chemical	6.7%	Printing	1.9%
Wood and wood products	5.8%	Other	11.1%

Activities in 2016

continued

Along with effective risk management, QNB Finans Leasing is also mindful of maintaining a risk exposure that is rational and diverse in terms of its geographical and client distribution.

Risk Breakdown	2012	2013	2014	2015	2016
Top-10 customers in the portfolio					
Exposure (TL million)	84.7	112.1	146.7	205.9	225.9
Share in total	8%	9%	9%	11%	8%
Top-20 customers in the portfolio					
Exposure (TL million)	142.4	186.8	237.7	320.4	372.2
Share in total	14%	14%	15%	16%	14%
Top-50 customers in the portfolio					
Exposure (TL million)	255.5	331.2	405.9	549.2	685.3
Share in total	25%	25%	26%	28%	25%

Geographical Breakdown	2012	2013	2014	2015	2016
Marmara	12%	13%	13%	12%	11%
Aegean and Mediterranean	16%	19%	18%	18%	17%
Eastern and Southeastern Anatolia	15%	15%	17%	16%	14%
Central Anatolia and Black Sea	15%	14%	13%	11%	11%
İstanbul	35%	32%	32%	36%	40%
Çukurova	7%	7%	7%	7%	7%

“QNB Finans Leasing benefits from its synergistic collaboration with QNB Finansbank, whose strong technological infrastructure makes that bank an important marketing and sales channel.”

QNB Finansbank synergy strengthens our service competencies.

QNB Finans Leasing's branch network consists of 13 nodes geographically located in parts of the country where economic activity is concentrated. These branches make up the Company's primary delivery channel and account for more than 50% of its direct sales. In addition to its branches, the Company also benefits from its synergistic collaboration with QNB Finansbank, whose strong technological infrastructure makes that bank an important marketing

and sales channel. Supplying products and services to clients through QNB Finansbank's extensive national service platform consisting of 577 branches located all over the country, QNB Finans Leasing makes about 40% of its sales through QNB Finansbank.

Because QNB Finansbank's customer base overlaps significantly with QNB Finans Leasing's own natural client audience, it also has considerable business potential of its own and plays an important role in the expansion of the Company's portfolio.

130

As of 31 December 2016, QNB Finans Leasing had on its payroll 130 employees.

53%

At year-end, 53% of QNB Finans Leasing's employees were women.

focus

QNB Finans Leasing's primary focus in 2017 will be on growing market share and on maximizing the benefit that the Company creates for clients.

We employ a team of highly-dedicated specialists.

Combining professionalism, market knowledge, and strong insightfulness with effective risk management processes, the QNB Finans Leasing team is the hallmark of expertise and experience in the Turkish leasing industry. Aiming to be a preferred employer in its business line, QNB Finans Leasing bases its human resources policies and practices on career development and planning processes which focus on acquiring expert knowledge and experience and which are informed by the principles of enhancing a sense of belonging, internalizing corporate culture, and achieving and maintaining employee loyalty and long-term professional relationships.

As of 31 December 2016, QNB Finans Leasing had on its payroll 130 employees of whom 53% were women. High levels of employee loyalty continue to keep the Company's personnel turnover rate low.

On the future...

QNB Finans Leasing's sectoral experience and the expertise and competencies of its staff make it one of the leading players in the financing of investments capable of contributing to Turkey's growth. With its extensive branch and regional networks, its highly centralized structure, and the strengths of its principal shareholder QNB Finansbank, QNB Finans Leasing will continue to meet all of the leasing needs of firms in every business line.

Just as it has always done, QNB Finans Leasing will seek to stand by its clients in the conduct of their investments in 2017 as well. The Company will be focusing especially on providing capital support, on the sale-and-leaseback financing of vitally important machinery and real estate investments, and on renewable energy projects, with particular attention being given to solar power in the case of the last.

As an experienced, pioneering, and innovative member of Turkey's leasing industry, QNB Finans Leasing's primary focus in 2017 will be on growing market share and on maximizing the benefit that the Company creates for clients.

Credit Ratings

In its most recent report dated 23 November 2017, Fitch Ratings assigned the Company "BBB-" long-term foreign and local credit ratings with stable outlooks in both cases.

Sales & Marketing Branch Network

QNB Finans Leasing's branch network consists of 13 nodes geographically located in parts of the country where economic activity is concentrated.

“ QNB Finans Leasing's branch network make up the Company's primary delivery channel and account for more than 50% of its direct sales. ”

- **İstanbul**
 - İstanbul Atatürk Airport Free Zone
 - İstanbul 1 (Avrupa - İkitelli, Tekirdağ, Kırklareli, Edirne)
 - İstanbul 2 (Anadolu - İMES)

- **İzmit**
 - İzmit, Adapazarı, Zonguldak, Düzce, Bolu, Karabük, Bartın
 - Gebze

- **Ankara**
 - Ankara, Çorum, Kırıkkale, Çankırı, Samsun, Ordu, Rize, Amasya, Tokat, Sinop, Karabük, Kastamonu, Giresun, Trabzon, Gümüşhane, Konya, Kırşehir, Artvin

- **Bursa**
 - Bursa, Yalova, Çanakkale, Eskişehir, Bilecik, Kütahya, Afyon, Balıkesir

- **İzmir**
 - İzmir, Aydın, Muğla, Manisa, Uşak

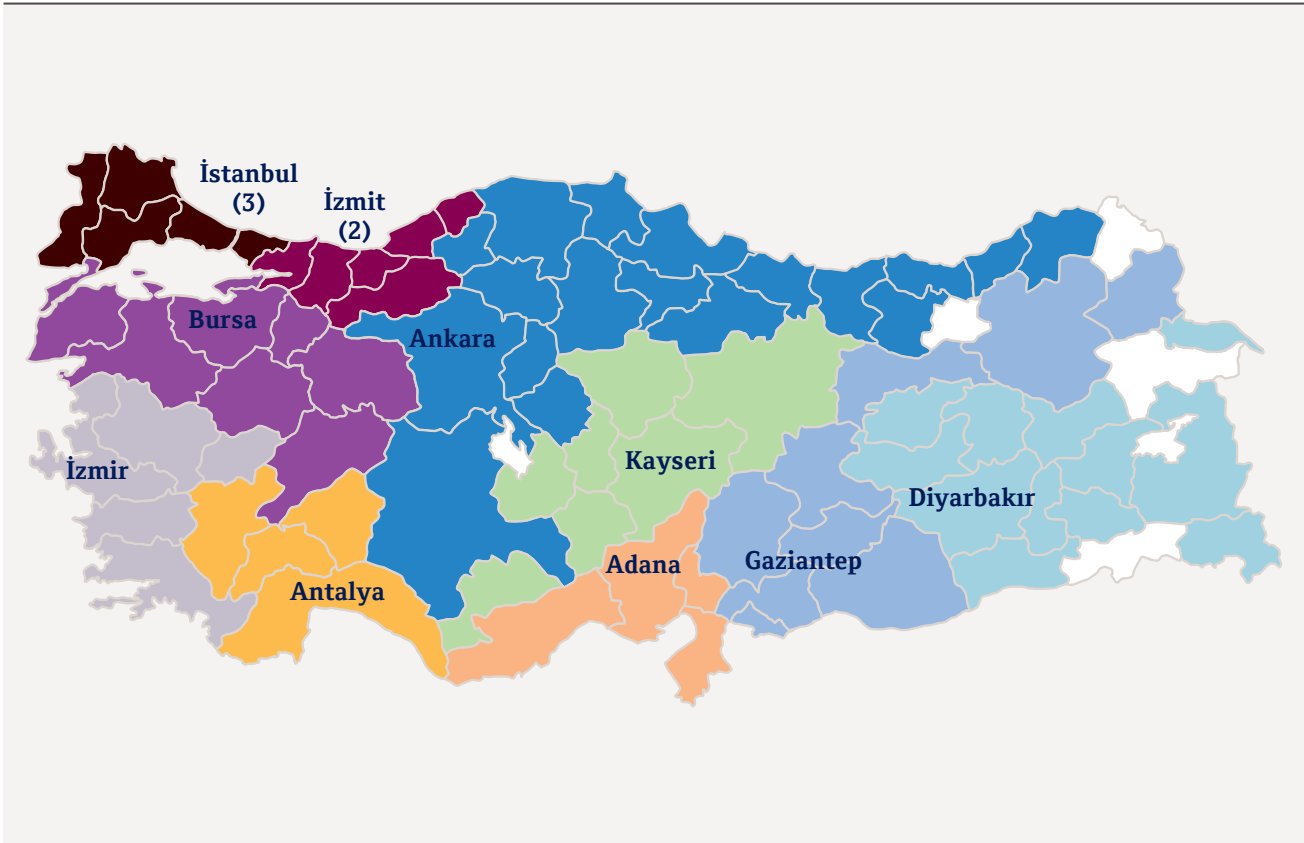
- **Antalya**
 - Antalya, Burdur, Isparta, Alanya, Denizli

- **Adana**
 - Adana, Mersin, Hatay, Tarsus, İskenderun, Osmaniye

- **Kayseri**
 - Kayseri, Niğde, Aksaray, Karaman, Yozgat, Nevşehir, Sivas

- **Gaziantep**
 - Gaziantep, Şanlıurfa, Adıyaman, Kilis, Maraş, Malatya, Erzurum, Erzincan

- **Diyarbakır**
 - Diyarbakır, Batman, Siirt, Van, Bingöl, Mardin, Hakkari, Muş, Bitlis, Kars, Iğdır, Elazığ, Tunceli



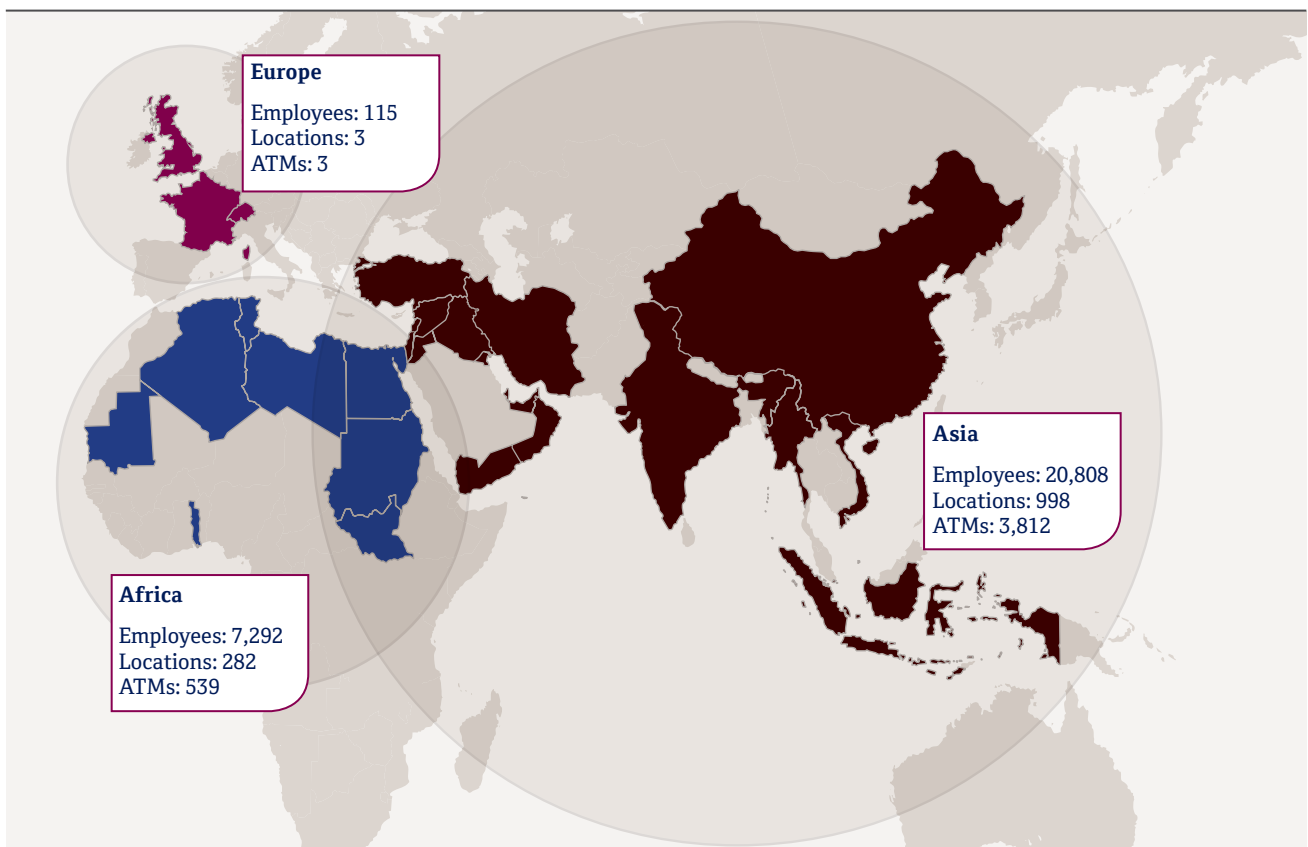
About Qatar National Bank (QNB Group)

QNB Group has steadily grown to be the biggest bank in Qatar and leading financial institution in the Middle East and North Africa Region with a market share around 45% of banking sector assets.

“ Besides being the biggest financial institution in Qatar, QNB also has an operational presence in more than 30 countries. ”

Founded in 1964 as Qatar’s first domestically-owned commercial bank, QNB shares have been traded on the Qatar Stock Exchange since 1997. Half of the bank’s shares are owned by the Qatar Investment Authority while the remainder are publicly held. Besides being the

biggest financial institution in Qatar, QNB also has an operational presence in more than 30 countries, primarily throughout the Middle East and North Africa. QNB is also the MENA region’s biggest bank from the standpoints of its total assets, total credits, and total deposits.



**Corporate
Governance
Principles
Compliance
Report**



Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles

The Company deems it extremely useful to implement Corporate Governance Principles with respect to the improvement of national and international capital markets, as well as to the Company's best interests. The Company drew up the Statement of Compliance with Corporate Governance Principles within the frame of Corporate Governance Principles published by the Capital Markets Board (CMB).

The Company aims to achieve maximum compliance with the said principles and spends its best efforts to this end:

Work is in progress to bring the Company into compliance with principles that are of exceptional nature and that are not being implemented by the Company as yet. Detailed information about the activities currently in progress and the corporate governance principles with which compliance have been achieved are presented below under the separate headings of "Shareholders", "Public disclosure and transparency", "Stakeholders", and "Board of Directors".

Below are the steps taken between 2012-2014 to achieve compliance with the Communiqué on Corporate Governance.

- Independent Board members were elected and the structure of the Board of Directors was updated.
- Members of the Corporate Governance Committee and the Audit Committee were elected from among independent and non-executive members in accordance with the Communiqué.
- Necessary procedures were fulfilled for the members of the Corporate Governance Committee to fulfill the functions of the Early Detection of Risk Committee and the Nomination Committee.
- The Compensation Policy was devised and publicly disclosed on the company website.
- The Disclosure Policy and Dividend Policy were posted on the company website.
- The articles of incorporation were revised in keeping with the compulsory principles.
- The content of the company website was updated in line with the Communiqué.

It has been decided by the Board of Directors decision no. 962 dated 15 April 2013 to organize the Early Detection of Risk Committee as an individual committee pursuant to Article 6 of the Communiqué Serial: IV No. 63 amending the Communiqué Serial: IV No. 56 on the Determination and Implementation of Corporate Governance Principles, which went into force upon its publication in the Official Gazette issue 28567 dated 22 February 2013.

The Communiqué on Dividends numbered II-19.1 went into force on 1 February 2014, which was intended to achieve alignment with the arrangements set out in the Capital Market Law no. 6362 (the Law) that was enacted upon its publication in the Official Gazette issue 28513 dated December 31, 2012. In order to secure compliance with the said Communiqué, our Company's "Dividend Policy" was updated and approved at the General Assembly Meeting held on 31 March 2014. Furthermore, to achieve compliance with the Communiqué on Material Events Disclosure numbered II-15.1 published in the Official Gazette dated 23 January 2014 under the Law, the "Disclosure Policy" was also updated and posted on the corporate website.

The Investor Relations Unit structure was updated in accordance with the Communiqué no. II-17.1 on Corporate Governance that was revised on 3 January 2014.

SECTION I: SHAREHOLDERS

2. Investor Relations Unit

An Investor Relations Division has been set up under the Corporate Governance Committee, in order to facilitate exercising of shareholding rights and to provide communication between the Board of Directors and the shareholders.

In essence, the Investor Relations Division works to;

- ensure maintenance of the records about shareholders in a healthy, secure and up-to-date manner,
- respond to the shareholders' written information requests about the Company, apart from those that are not publicly disclosed, are of a confidential and/or trade secret nature,
- ensure that the general assembly meetings are convened in accordance with the applicable legislation, the articles of incorporation and other internal regulations,

Corporate Governance Principles Compliance Report

- prepare the documents the shareholders could make use of in the general assembly meeting,
- ensure that the results of the voting are recorded and the reports thereon are sent to the shareholders,
- observe and comply with all considerations related to public disclosure, including the legislation and the Company's disclosure policy.

Contact information for the individuals assigned to these units for the period between 1 January - 31 December 2016 are given below:

Name	Tel	E-mail
Belgin Şen	+90 212 349 11 30	belgin.nakipler@finansleasing.com.tr
Sunay Cambaz	+90 212 349 11 80	sunay.cambaz@finansleasing.com.tr
Selim Murat	+90 212 349 13 30	selim.murat@finansleasing.com.tr

The individuals whose contact information is provided above have responded to the queries received from the investors during the reporting period.

3. Shareholders' Exercise of Their Right to Obtain Information

It is certain that shareholders and stakeholders need to have regular access to reliable information about the Company's management and its financial and legal standing. In line with the principle of public disclosure and transparency, all information except for trade secrets is to be revealed to the public impartially. Such disclosure is made by means of audited annual and interim financial statements and footnotes and by means of public announcements. This information is also posted on the Company's corporate website.

There had been no requests from shareholders during the reporting period for the appointment of a special auditor. Based on the concern that the appointment of a special auditor might lead to problems in practice with respect to maintaining the confidentiality of trade secrets or undisclosed information, it is intended to consider in the future to provide for demanding the appointment of a special auditor as an individual right in our Company's articles of incorporation depending on the developments.

4. Information about General Assembly Meetings

The Ordinary General Assembly held on 30 March 2016:

FİNANS FİNANSAL KİRALAMA A.Ş. Ordinary General Assembly Meeting for 2015 was held on 30 March 2016 at 15:00 hours at the address Esentepe Mah. Büyükdere Cad. Kristal Kule Binası No: 215 Kat: 22 Şişli İstanbul under the supervision of the Ministry Representative Orhan Karabey, who was appointed by the T.R. İstanbul Governor's Office Provincial Directorate of Trade letter dated 29 March 2016, no. 14918765.

In accordance with the provisions of the law and the articles of incorporation, invitation for the meeting that incorporated the agenda was published in the Turkish Trade Registry Gazette issue 9026 dated 7 March 2016 and Hürses newspaper issue 13538 dated 4 March 2016; posted on the company website at www.finansleasing.com.tr; announced on the Public Disclosure Platform and on the Electronic General Meeting System of the Central Registry Agency on 2 March 2016; it was also announced to shareholders who were on record in the book of shares, by way of notifying in written the meeting date and agenda within legally due time.

Having established by examining the List of Attendants that out of 11,500,000,000 shares corresponding to the Company's total capital of TL 115,000,000.00, 11,374,613,587 shares corresponding to TL 113,746,135.874 in capital was represented by proxy at the meeting, and the minimum quorum as stipulated by the law and the articles of incorporation was secured; the meeting was opened, simultaneously in the physical and electronic environments, by Adnan Menderes Yayla, Deputy Chairman of the Board and proceeded with the discussion of agenda items.

5. Voting Rights and Minority Rights

Our Company's articles of incorporation contain no provisions pertaining to privileged voting rights. Minority shares are not represented in the Company's management and the cumulative voting method is not employed. Companies with which there is a cross-shareholding relationship cast votes at the General Assembly.

6. Entitlement to Dividends

Our Company's profit distribution principles are determined in view of the relevant provisions of the articles of incorporation, Turkish Commercial Code (TCC), Capital Market Law and other applicable legislation. Profit distribution is approved and decided by the General Assembly of Shareholders based on the proposal of the Board of Directors.

The Company's financial results for the related year, current economic conditions, etc. have an effect on the determination of the dividend policy. In the event it is decided to distribute dividends, the rate of distribution is determined by the General Assembly of Shareholders in a manner that will not contradict with the provisions of applicable legislation and the Company's articles of incorporation. Dividends are distributed in cash and/or in the form of dematerialized shares.

The dividend policy may be altered based on a Board of Directors decision, on condition that the ground for such alteration is specified, and the revised policy is publicly disclosed in accordance with the Board of Directors guidelines regarding disclosure of material events.

No shares are privileged in terms of getting share from the profit.

Cash dividend payout is carried out until no later than the end of the third month following the date of the General Assembly Meeting in which profit distribution decision is passed. Dividend distribution in the form of bonus dematerialized shares, on the other hand, is carried out following the receipt of the permissions stipulated by the legislation.

Our Company does not pay advances on dividends, nor is there a provision governing the same in the Company's articles of incorporation.

7. Transfer of Shares

The Company's articles of incorporation contain no provisions restricting the transfer of shares.

SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The Company's disclosure policy is intended to make sure that the necessary information other than trade secrets are disclosed to shareholders, investors, employees, customers, creditors and other related parties on a timely manner and on the principles of completeness, accuracy, and intelligibility, and that they are conveniently accessible at low cost and equally available to all. The disclosure policy is posted on the corporate website.

Under the Disclosure Policy devised by Finans Finansal Kiralama A.Ş., information is made available to the public via the Public Disclosure Platform (in Turkish: KAP) in accordance with the CMB Communiqué No: II-15.1 on Material Events. The Company's independently audited financial statements are publicly disclosed at quarterly intervals.

Names and positions of the individuals in charge of executing the Disclosure Policy are given below:

Name	Position	E-mail
Belgin Şen	Financial Control and IT Group Manager	belgin.nakipler@finansleasing.com.tr
Sunay Cambaz	Accounting Group Manager	sunay.cambaz@finansleasing.com.tr
Selim Murat	Internal Audit Manager	selim.murat@finansleasing.com.tr

9. Company Internet Site and its Content

The Company website is at the address www.finansleasing.com.tr, and is also available in English. The corporate website is actively used for information provision and public disclosure purposes. The website contains the information and data as stipulated by the Corporate Governance Principles.

In addition, a section entitled "Information Society Services Finans Finansal Kiralama A.Ş." was created under the section "Investor Relations" on our corporate website pursuant to Article 1524 of the Turkish Commercial Code and to the Regulation on Websites to be Opened by Capital Companies. The section dedicated to information society services on the website is accessible by everyone.

10. Annual Report

All of the information listed in the Corporate Governance Principles is covered in the annual reports.

SECTION III: STAKEHOLDERS

11. Informing Stakeholders

A “stakeholder” is any private individual, corporate entity, or interest group that may be involved in the Company’s achieving its goals or have interest in its activities. Stakeholders include shareholders, employees, creditors, customers, suppliers, various non-governmental organizations, the government, and even potential investors.

Our Company conducts its activities honestly, trustworthily, and transparently within the framework of its public disclosure principles in order to keep its stakeholders aware of the same. The Company’s independently audited financial statements are publicly disclosed quarterly. Similarly, important developments concerning the Company’s activities are publicly announced by means of material event disclosure forms in line with the Company’s public disclosure principles. In addition, in-house meetings are conducted to ensure that the Company’s employees are kept informed about developments that take place and may be of concern to them.

A “Reporting Sheet” application was created on the www.finansleasing.com.tr website for conveyance of the Company’s illegitimate or unethical transactions by stakeholders to the Audit Committee and the Internal Audit Manager.

12. Stakeholder Participation in Management

While no model providing for stakeholder participation in management has yet been developed, employees are involved in the Company management through meetings and by using their powers and responsibilities in line with their job descriptions. Detailed studies are carried out on matters related to promotions and performance measurement to ensure that employees receive equal treatment and that promotions take place in line with performance. Employees are given training opportunities to enhance their knowledge, skills, and experience. Explanatory information concerning the Company is also provided to interested parties upon demand.

13. Human Resources Policy

Based on the awareness that the human resource represents the key element for the optimum execution of the Company’s activities and for its development, the basic principles of our Company’s human resources policy are spelled out as follows:

- Employing personnel with high personal and professional qualifications.
- Enhancing work productivity by providing a modern and healthy work environment.
- Fostering a participatory approach to management within the Company.
- Ensuring that employees receive the necessary training they need to develop their professional knowledge and that they are inculcated in the Company’s corporate culture.
- Providing performance-based career planning.

Relations with employees are handled by the Human Resources Assistant Manager and the Assistant General Manager to whom he reports. During the reporting period, no complaints were received from the employees concerning discrimination. Job descriptions have been put into writing for all Company employees and performance criteria are determined on the basis of positions and titles and shared with the employees.

14. Code of Ethics and Social Responsibility

No lawsuits were lodged against our Company during the reporting period on account of any harm caused to the environment. Utmost care is paid to ensure that the projects financed are in compliance with the legislation governing the environment and public health.

Finans Finansal Kiralama A.Ş. expects its employees to abide by the Company’s fundamental principles and code of ethics specified hereinbelow. The code of ethics is publicly disclosed on the corporate website, as well as in the periodic annual reports.

SECTION IV: BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors

Members of the Board of Directors were elected by the General Assembly resolution dated 30 March 2015, and the Board of Directors was structured as follows on the same date. Term of office for members was set as two years.

Board of Directors:

Sinan Şahinbaş	Chairman of the Board - Executive
Adnan Menderes Yayla	Vice Chairman of the Board - Non-executive
Metin Karabiber	Board Member & General Manager - Executive
Filiz Sonat	Board Member - Executive
A. Murat Alacakaptan	Board Member - Executive
Turhan Cemal Beriker	Independent Board Member - Non-executive
Osman Necdet Türkay	Independent Board Member - Non-executive

Résumés of the Board members are presented in the annual report.

As at 31 December 2016, there were three non-executive members on the Board of Directors, two of whom are independent members satisfying the provisions of the CMB Communiqué on Corporate Governance No: II-17.1. The positions of the Chairman of the Board and General Manager are held by different individuals.

The Corporate Governance Committee, which has assumed the duties and responsibilities of the Nomination Committee, submitted the report dated 4 May 2012 regarding whether the two candidates for independent Board membership satisfy the independence criteria to the Board of Directors. Furthermore, declarations that independence criteria are fulfilled have been received from candidates for independent Board member position.

From amongst Board members, Sinan Şahinbaş, Adnan Menderes Yayla, Filiz Sonat and independent members Turhan Cemal Beriker and Osman Necdet Türkay also hold positions outside the Company, which are detailed below.

In the General Assembly Meeting held on 30 March 2015, it was decided to authorize the members of the Board of Directors to carry out the transactions specified in Articles 395 and 396 of the Turkish Commercial Code.

Members of the Board of Directors:

Sinan Şahinbaş	In-Group - Finansbank A.Ş., Vice Chairman of the Board
Adnan Menderes Yayla	In-Group - Finansbank A.Ş., Executive Vice President, Member of Executive Board
Filiz Sonat	In-Group - Finansbank A.Ş., Executive Vice President
Turhan Cemal Beriker	Out-Group - Kiltoprak NV Amsterdam, Founding Partner; Consultant to Palmali Holding Board of Directors
Osman Necdet Türkay	Out-Group - Strateji Menkul Değerler A.Ş., Chairman of the Board

16. Operating Principles of the Board of Directors

The Chairman of the Board of Directors sets the agenda for Board meetings after discussions with other Board members and with the General Manager (Chief Executive Officer). 34 Board meetings were held during 2016. While no secretariat has been set up to inform board members and manage communication among them, maximum care is given to ensuring that all information and documents pertaining to matters on meeting agendas are made equally available to all Board members in a timely manner. When differences of opinion are expressed at meetings, reasoned and detailed justifications for dissenting votes are included in the memoranda of resolutions that are passed. Actual attendance is provided at Board meetings on the issues stipulated in the CMB's Corporate Governance Principles. No Board members have preferential voting rights or the right to veto Board decisions.

Related party transactions laid down for the approval of the Board and transactions of material nature are covered in quarterly financial statements and the notes thereto, and thus submitted to the CMB. The Company's quarterly financial statements and the notes thereto are approved by all Board members, including independent members. There are no transactions, which have not been approved by independent members and laid down for the approval of the General Assembly.

17. Numbers, Structures, and Independence of Committees within the Board of Directors

Based on the Board of Directors resolution dated 15 March 2005 and numbered 442, a Corporate Governance Committee was set up to oversee the Company's compliance with Corporate Governance Principles, to improve and to submit proposals thereon to the Board of Directors. Pursuant to Article 4.5.1 of the CMB Communiqué Serial: IV, No: 56, it has been decided by the Board of Directors decision 915 dated 4 June 2012 that the Corporate Governance Committee will be formed of two members. Independent Board member Turhan Cemal Beriker has been appointed as the head of the Committee and non-executive member Adnan Menderes Yayla as member of the Committee.

Corporate Governance Committee fulfills the duties and responsibilities of the Nomination Committee and Compensation Committee, as well. Moreover, the Committee also performed the functions, and satisfied the responsibilities, of the Early Detection of Risk Committee until 15 April 2013. It has been decided by the Board of Directors decision no. 962 dated 15 April 2013 to organize the Early Detection of Risk Committee as an individual committee pursuant to Article 6 of the Communiqué Serial: IV No. 63 amending the Communiqué Serial: IV No. 56 on the Determination and Implementation of Corporate Governance Principles, which went into force upon its publication in the Official Gazette issue 28567 dated 22 February 2013. Osman Necdet Türkay and Filiz Sonat have been appointed as the head and member of the Committee, respectively.

Pursuant to Article 4.5.1 of the CMB Communiqué Serial: IV No: 56, it has been decided by the Board of Directors decision 915 dated 4 June 2012 that the committee will be made up of two members. Independent Board members Turhan Cemal Beriker and Osman Necdet Türkay have been appointed as the head and member of the Committee, respectively.

Since there are two independent members on the Board of Directors, one Board member serves on more than one committee due to the obligation that all of the members of the Audit Committee and the head of the Corporate Governance Committee must be independent members.

A Risk Committee was set up on 28 June 2010 to monitor, assess and manage the Company's credit portfolio, to decide on lending practices, and to develop strategies. The members of this Committee, who were elected based on the Board of Directors decision of 5 October 2012, are Filiz Sonat, Murat Alacakaptan, Semra Karsu, Fatih Kızıltan and Ateş Yenen.

18. Risk Management and Internal Control Mechanisms

Our Company is exposed to credit risk, interest rate risk, exchange rate risk, liquidity risk, market risk, and operational risks due to its transactions. Assessments of these risks and necessary actions in order to manage them are included in annual budget studies as well as in monthly performance reports. These are presented to the Board of Directors for review. At meetings of the assets-liabilities, credit monitoring, marketing, operations, and legal affairs committees, the risks that the Company is exposed to are assessed. At the monthly performance meetings of the Board of Directors, the Company's risk management activities are reviewed and assessed, and risk factors are revised as and when deemed necessary.

An internal control system has been set up to make sure that the Company's activities and operations are carried out in accordance with the Law no. 6361 on Financial Leasing, Factoring and Financing Companies and other applicable legislation, internal policies, guidelines and customs, and to ensure timely availability of information. The Company's Internal Audit and Internal Control employees offer the assurance and consultancy services in relation to adequate operation of the internal control system. Both control functions are performed by the Audit Committee reporting to the Board of Directors. Process audits and quarterly internal control activities are carried out according to the risk-based annual plan, and information on the results of the activities is provided in semi-annual Audit Committee meetings.

Furthermore, a Risk Committee was set up to monitor, assess and manage the Company's credit portfolio, to decide on lending practices, and to develop strategies.

19. The Company's Strategic Goals

Our Company's mission is to be the sector's leader in terms of productivity and profitability. The strategic goals identified to realize this mission are; being customer-focused, working with qualified personnel, responding quickly to customer demands, increasing transaction speed by means of advanced technological infrastructure, focusing on the investment needs of small to medium-sized enterprises, and structuring regional, sectoral, and client-based credit risk concentrations optimally. In addition to engaging in marketing and information activities to encourage ever greater use of leasing as an investment financing tool, the Company's strategic goals also include recruiting and training the personnel that will enable the Company to achieve its aims.

The Board of Directors examines and approves the strategic goals identified by the management and the degree to which those objectives are being met at monthly performance meetings at which the Company's activities are reviewed and discussed. At these meetings, the Company's performance is measured and targets are revised when necessary in the light of changing market conditions.

20. Financial Rights

All rights, benefits, and fees etc. provided to the members of the Board of Directors are subject to the authorization and oversight of the general assembly. The General Manager, who sits on the Board of Directors in the capacity of a managing director, receives salary and bonus for his executive duties. Based on a decision adopted in the General Assembly Meeting convened on 30 March 2016, it has been unanimously decided to pay a net monthly salary of TL 5,750 to each independent Board member and a net monthly salary of TL 3,000 to other Board of Directors members.

As at 31 December 2016, salaries and benefits paid to senior executives amounted to TL 3,972 thousand (31 December 2015: TL 2,825 thousand).

All rights, benefits, and salaries, as well as the criteria applied in the determination thereof and remuneration principles are publicly disclosed within the "Compensation Policy", which is posted on the company website.

The Company has not lent any money, extended any credit, or provided any guarantees such as surety etc. to any member of the Board of Directors or to any executive.

**Financial
Information**



Finans Finansal Kiralama Anonim Şirketi

Financial Statements as of December 31, 2016 together with Independent Auditors' Report



Güney Bağımsız Denetim ve
SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No.27 Maslak, Şariyer 34398
Istanbul-Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

Independent auditor's report

To the Shareholders of Finans Finansal Kiralama Anonim Şirketi

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Finans Finansal Kiralama Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of leasing receivables

There is a potential risk that leasing receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the requirements of IFRS as determining the adequacy of impairment allowance on leasing receivables to customers is a key area of judgment for the management. Accordingly, leasing receivables to customer is a key area of judgement for the management. Accordingly, carrying amount of leasing receivables might be greater than the estimated recoverable amounts, therefore the impairment test of these leasing receivables is a key audit matter. Refer Note 8 to the financial statements relating to the impairment of leasing receivables.

Our audit procedures included among others, selecting samples of leasing receivables based on our judgement and considering whether there is objective evidence that impairment exists on these leasing receivables. We also assessed whether impairment losses for leasing receivables were reasonably determined in accordance with the requirements of IFRS. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of leasing receivable provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired leasing receivables and the required provisions against them.

Responsibilities of the Management and the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Finans Finansal Kiralama Anonim Şirketi

Financial Statements as of December 31, 2016 together with Independent Auditors' Report



Güney Bağımsız Denetim ve
SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No.27 Maslak, Sarıyer 34398
İstanbul-Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Damla Harman.

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

Istanbul, Turkey

April 26, 2017

Finans Finansal Kiralama Anonim Şirketi

Index

Page

Financial statements

Statement of financial position	32
Statement of profit or loss and other comprehensive income	33
Statement of changes in equity	34
Statement of cash flows	35

Notes to the financial statements

Note 1	Corporate information	36
Note 2	Basis of preparation	36
Note 3	Summary of significant accounting policies	41
Note 4	Determination of fair values	49
Note 5	Segment information	49
Note 6	Critical accounting estimates and assumptions	50
Note 7	Cash and cash equivalents	50
Note 8	Finance lease receivables	51
Note 9	Available-for-sale financial assets	52
Note 10	Property, plant and equipment	53
Note 11	Intangible assets	53
Note 12	Other assets	54
Note 13	Assets held for sale	54
Note 14	Funds borrowed	54
Note 15	Debt securities issued	55
Note 16	Trade payables and advances from customers	56
Note 17	Derivative financial instruments	56
Note 18	Other liabilities and accruals	57
Note 19	Reserve for employee termination benefits	57
Note 20	Income taxes	57
Note 21	Share capital	60
Note 22	Legal reserves and retained earnings	61
Note 23	Earnings per share	61
Note 24	Related party transactions	62
Note 25	Foreign exchange gains, including net gains or losses from dealing in foreign currency	63
Note 26	Other income/(expenses), net	63
Note 27	Operating expenses	64
Note 28	Financial risk management	65
Note 29	Commitments and contingent liabilities	74
Note 30	Capital risk management	74
Note 31	Subsequent events	74

Finans Finansal Kiralama Anonim Şirketi

Statement of Financial Position

as at December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	Notes	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	7	42,718	230,699
Finance lease receivables	8	2,706,599	1,947,904
Available for sale financial assets	9	140	140
Derivative financial instruments	17	3,063	-
Property, plant and equipment	10	2,566	2,427
Intangible assets	11	967	888
Other assets	12	34,452	26,589
Deferred tax assets	20	10,683	7,693
Total assets		2,801,188	2,216,340
Liabilities and equity			
Funds borrowed	14	1,414,105	1,353,994
Debt securities issued	15	565,195	168,978
Trade payables	16	99,673	50,659
Advances from customers	16	27,145	20,649
Current income tax	20	7,941	-
Derivative financial instruments	17	4,200	-
Other liabilities and accruals	18	7,828	5,542
Reserve for employee termination benefits	19	2,277	1,835
Total liabilities		2,128,364	1,601,657
Equity			
Share capital	21	159,353	159,353
Share premium		1,211	1,211
Reserves	22	27,703	27,703
Actuarial gains/(losses)		(591)	(568)
Retained earnings	22	485,148	426,984
Total equity		672,824	614,683
Total liabilities and equity		2,801,188	2,216,340

The accompanying policies and explanatory notes on pages 36 through 74 form an integral part of the financial statements.

Finans Finansal Kiralama Anonim Şirketi
Statement of Profit or loss and Other Comprehensive Income
for the year ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	Notes	January 1 - December 31, 2016	January 1 - December 31, 2015
Interest income from finance leases		217,301	168,457
Interest income on placements and transactions with banks		8,934	10,374
Total interest income		226,235	178,831
Interest expense on borrowings		(55,672)	(57,174)
Interest expense on debt securities issued		(37,285)	(10,606)
Interest Rate Swap income/(expense), net		1,948	-
Net interest income		135,226	111,051
Foreign exchange gains, including net gains or losses from dealing in foreign currency	25	4,811	7,486
Net interest income after foreign exchange gains or losses		140,037	118,537
Net trading, hedging and derivative income/(loss)		335	(148)
Fee and commission income/(expenses), net		5,953	4,495
(Provision)/recovery for possible lease receivables losses and other receivables	8	(29,825)	(20,286)
Other income/(expenses), net	26	4,477	3,697
Operating expenses	27	(46,389)	(38,933)
Operating profit		74,588	67,362
Income before tax			
Taxation on income	20	(16,424)	(14,150)
Net income for the year		58,164	53,212
Other comprehensive income		(23)	(18)
Total comprehensive income for the year		58,141	53,194
Weighted average number of shares (TL 0.01 par value)		11,500,000,000	11,500,000,000
Earnings per TL 1 (for full TL)	23	0.506	0.463

The accompanying policies and explanatory notes on pages 36 through 74 form an integral part of the financial statements.

Finans Finansal Kiralama Anonim Şirketi Statement of Changes in Equity

for the year ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	Share capital and inflation adjustment to share capital	Share premium	Actuarial gains/ (losses) arising from employee benefits	Legal reserves	Retained earnings	Total
At December 31, 2014	159,353	1,211	(550)	26,845	374,630	561,489
Transfer to legal reserves	-	-	-	858	(858)	-
Net income for the year	-	-	-	-	53,212	53,212
Other comprehensive income	-	-	(18)	-	-	(18)
At December 31, 2015	159,353	1,211	(568)	27,703	426,984	614,683
Transfer to legal reserves	-	-	-	-	-	-
Net income for the year	-	-	-	-	58,164	58,164
Other comprehensive income	-	-	(23)	-	-	(23)
At December 31, 2016	159,353	1,211	(591)	27,703	485,148	672,824

The accompanying policies and explanatory notes on pages 36 through 74 form an integral part of the financial statements.

Finans Finansal Kiralama Anonim Şirketi

Statement of Cash Flows

for the year ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	Notes	January 1, December 31, 2016	January 1, December 31, 2015
Cash flows from operating activities			
Net profit for the year		58,164	53,212
Adjustments for			
Depreciation and amortization	10, 11	526	470
Provision for employment termination benefits	19	451	357
Provision for unused vacation pay accrual	18	339	400
Provision and reversal of bonus accruals	18	3,237	2,440
Fair value (gains)/losses on derivative transactions		1,137	147
Provision for impairment of finance lease receivables	8	29,825	20,286
Foreign exchange gains		(27,092)	(15,073)
Interest income recognized in profit and loss		(8,934)	(10,374)
Interest expense recognized in profit and loss		92,958	67,780
Income tax provision	20	19,408	10,091
Deferred tax charge	20	(2,984)	4,059
Impairment charge on land	10	-	87
Operating profit before changes in net operating assets and liabilities		167,035	133,882
Purchases of assets to be leased		(1,462,674)	(973,539)
Principal payments received under leases		939,735	739,739
Net decrease/(increase) in receivables from lease payments outstanding and other receivables		(36,909)	(36,340)
Net increase in other assets		(12,537)	(4,724)
Net (decrease)/increase in trade payables		49,013	683
Net increase in advances from customers		6,496	1,982
Net decrease in other liabilities and provisions		1,020	(2,265)
Income taxes paid		(6,792)	(17,449)
Bonuses paid	18	(2,286)	(1,940)
Unused vacation paid	18	(24)	(51)
Retirement benefits paid	19	(38)	(155)
Net cash generated from operating activities		(357,961)	(160,177)
Cash flows from investing activities			
Purchases of furniture and equipment	10	(226)	(666)
Purchases of lands and buildings		(270)	-
Purchases of intangible assets	11	(355)	(530)
Interest received from investing activities		9,225	10,367
Sale of land and buildings	10	108	1,999
Net cash generated from investing activities		8,482	11,170
Cash flows from financing activities			
Proceeds from funds borrowed	14	961,458	815,273
Proceeds from debt securities issued	15	571,883	212,903
Repayments of funds borrowed	14	(1,103,443)	(664,469)
Repayments of debt securities issued	15	(176,654)	(120,000)
Interest paid		(97,828)	(69,588)
Net cash used in financing activities		155,416	174,119
Effect of exchange rate changes on the balance of cash held in foreign currencies		6,373	10,854
Net increase/(decrease) in cash and cash equivalents		(187,689)	35,966
Cash and cash equivalents at the beginning of year	7	230,396	194,430
Cash and cash equivalents at the end of year		42,706	230,396

The accompanying policies and explanatory notes on pages 36 through 74 form an integral part of the financial statements.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

1. Corporate information

1.1 General

Finans Finansal Kiralama Anonim Şirketi (a Turkish Joint Stock Company - “the Company”) was established in İstanbul in March 1990, pursuant to the license obtained from the Undersecretariat of the Treasury and Foreign Trade for the purpose of financial leasing as permitted by the law number 3226.

42.16% (2015 - 42.16%) of the shares of the Company are listed at Borsa İstanbul A.Ş.. The address of the registered office of the Company is Esentepe Mahallesi, Büyükdere Caddesi, Kristal Kule Binası No: 215, Kat: 22, 34394 Şişli, İstanbul - Turkey. The Company has 13 branches and 127 employees (December 31, 2015: 125).

The parent of the Company is Finansbank A.Ş. (QNB Finansbank). A share sales agreement has been concluded between National Bank of Greece S.A. (NBG) and Qatar National Bank (“QNB”) at a price of EUR 2,750 million as of December 21, 2015. Necessary permissions related to share transfer have been completed on May 4, 2016. Before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016. 99.88% of shares of Finans Bank A.Ş. are controlled by Qatar National Bank as of December 31, 2016.

2. Basis of preparation

2.1 Statement of compliance

These financial statements are prepared in accordance with the International Financial Reporting Standards (“IFRS”), including the International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company maintains its books of account and prepares its statutory financial statements in thousands of Turkish Lira (“TL”) which is the Company’s functional and presentation currency, in accordance with communiqué “Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies” (“Financial Statement’s Communiqué”) issued by the Banking Regulation and Supervision Agency (“BRSA”), Turkish Commercial Code, Leasing Law and tax legislation. Turkish tax legislation required all leased assets be capitalized on the balance sheet of the lessor whether the lease is operating or finance lease until July 1, 2003. In accordance with amendments in Turkish tax law dated April 24, 2003, the lessors started to apply rules similar to IAS 17: “Leases” for the leasing transactions they entered after July 1, 2003 in their statutory financial statements.

The financial statements are based on the historical cost convention, except for the derivative instruments which are stated at their fair values.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

2.2 Basis of measurement

The financial statements have been prepared on an historical cost convention, except for those assets and liabilities measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.3 Functional and presentation currency

The accompanying financial statements are presented in thousands of Turkish Lira (“TL”), which is the Company’s functional and presentation currency. All financial information presented in TL is rounded to the nearest digit.

Inflation accounting

Until December 31, 2005, the date at which the Company considers that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 (“Financial Reporting in Hyperinflationary Economies”) were no longer applicable, the financial statements of these companies were restated for the changes in the general purchasing power of

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

TL based on IAS 29, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms.

2.4 Going concern

The Company prepared its financial statements on the going concern basis.

2.5 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:
IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Company.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Company.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) - Bearer Plants

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9,

Or

- Using the equity method defined in IAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

Amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the consolidated financial statements of the Company.

Annual Improvements to IFRSs - 2012-2014 Cycle

IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

- IFRS 7 Financial Instruments: Disclosures - clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits - clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting - clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

These amendments did not have significant impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The interpretation is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014-2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after January 1, 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after January 1, 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the accompanying financial statements.

In statement of cash flows, commissions gained from insurance companies TL 4,495 which was shown below under "Other" item in "Operating profit before changes in net operating assets and liabilities" as of December 31, 2015; is begun to be shown in "Interest Income recognized in profit/loss"

Warranties that are granted for the financial lease transactions for December 31, 2015 for TL 15,207,888; are begun to be shown under "Guarantees" item in terms of consistency with December 31, 2016 financials.

Fees for members of board of directors for TL 171, which was shown in "Staff Cost" item under "Other Operating Expenses" as of December 31, 2015 in statement of profit or loss and other comprehensive income; are begun to be shown in "General Operating Expenses" item in terms of consistency with December 31, 2016 financials.

3.1 Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into TL at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the income statement as realized during the course of the period.

Foreign currency translation rates used by the Company as of respective year-ends are as follows:

Dates	EUR/TL (Full TL)	USD/TL (Full TL)
December 31, 2016	3.7099	3.5192
December 31, 2015	3.1776	2.9076

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

3.2 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

	<u>Useful lives</u>
Furniture and equipment	5
Motor vehicles	5
Leasehold improvements	5
Building	50

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement.

An item of tangible is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

3.3 Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets are carried at cost, less accumulated amortisation, and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Amortization is calculated on a straight-line basis over the estimated useful life of the intangible assets, which is 5 years.

3.4 Financial instruments

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Cash and cash equivalents comprise cash balances, demand and time deposits with an original maturity of three months or less.

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Financial assets at fair value through profit or loss:

Financial assets are classified as financial assets at fair value through profit or loss where the Company acquires the financial asset principally for the purpose of selling in the near term, the financial asset is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short term profit taking as well as derivatives that are not designated as effective hedging instruments. A gain or loss from valuation of a financial asset classified as at fair value through profit or loss shall be recognized in profit or loss. Net gain/loss recognized in profit or loss includes interest and dividend income earned on the financial asset.

Effective interest rate method:

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period.

Held to maturity and available for sale debt instruments and profit from financial assets classified as loans and receivables are recognized in income by using the effective interest rate method.

Held-to-maturity investments:

Policies and bonds with fixed or determinable payments and fixed maturity where the Company both has the intention of and the ability to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are recognized at amortized cost using the effective interest method, less any impairment in value.

As at balance sheet date, the Company has no held-to-maturity investments.

Available for sale financial assets:

The Company has investments in unquoted equity investments that are not traded in an active market but are classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognized in profit and loss when the Company has the right to receive any payment.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the prevailing exchange rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

Finance lease receivables and other receivables

Finance lease receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

When the Company annuls overdue foreign currency leasing contracts, it converts foreign currency receivables into TL using the exchange rate at the annulment date and does not evaluate such amounts starting from the annulment date. Since invoice issuance for such receivables is ceased, the Company also ceases its income accrual calculation starting from the annulment date.

Bank borrowings

Bank borrowings are recognized initially at cost. Subsequent to initial recognition, bank borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Other

Other financial instruments including time deposits are measured at amortized cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Company holds derivative financial instruments to economically hedge its foreign currency risk exposure.

Derivatives are recognized initially at fair value; attributable transaction costs are recognised in income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

Hedge accounting

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in income statement as part of finance (expense)/income.

3.5 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.6 Borrowing costs

If an asset needs to be classified as construction-in-progress for a significant time, in order to be available for sale or available to use, borrowing costs related to the purchase and additional construction expenses are capitalized within the cost of asset. If there is an investment income related to the unconsumed part of the loans, it will be deducted from the capitalized interest expense.

All other finance expenses will be expensed during the period incurred.

3.7 Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

The Company assesses individually whether objective evidence of impairment exists for loans that are considered individually significant and collectively for loans that are not considered individually significant.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from obtaining and selling the collateral, whether or not foreclosure is probable.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for pools of loans by being indicative of the debtors' ability to pay all amounts due and together with historical loss experience for loans with credit risk characteristics similar to those in the pool form the foundation of the loan loss allowance computation. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions.

All impairment losses are recognised in income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets, the reversal is recognised in the income statement.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Employee benefits

Defined benefit plans

Obligations related to employee termination benefits are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "reserve for employment termination benefits" account in the balance sheet.

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognized in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees.

Defined contribution plans

The Company pays contributions to Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Short Term Plans

The Company also provides for short term employee benefit, such as vacation rights and bonuses.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

3.9 Leases

Finance leases

(a) The Company as lessor

The Company classifies leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivables and reduce the amount of income recognized over the lease term.

(b) The Company as lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch premises, which are cancelable subject to a period of notice. Related payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

3.10 Allowance for impairment of lease receivables

A credit risk provision for impairment of the investment in finance leases and accounts receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the year.

Investment in finance leases and accounts receivables that cannot be recovered are written off and charged against the allowance for impairment of lease and accounts receivables. Recoveries of amounts previously provided for are treated as a reduction from provision for impairment of lease and accounts receivables for the year.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

3.12 Related parties

For the purpose of this report, the shareholders and the ultimate shareholders of the Company, Finansbank and NBG Group of companies, members of the key management personnel of the Company or its parent and the companies controlled by/associated with all of the above are referred to as related parties.

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

3.13 Revenue recognition

Financing leases consist of full-payout leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be recognized over the term of the lease. The revenue is recognized in order to provide a constant periodic rate of return on the net investment remaining in each lease.

3.14 Income and expense recognition

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

3.15 Asset held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value".

3.16 Income tax

Taxes on income comprise current tax and the change in the deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the balance sheet liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred taxes on income.

3.17 Earnings per share

Earnings per share presented in the accompanying income statement are determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are treated as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

3.18 Statement of cash flows

The Company prepares its cash flows to inform financial statement users about the changes in Company's net assets, financial situation and the ability to manage the amount and timing of cash flows in accordance with changes in circumstances.

3.19 Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

3.20 Reclassifications to the prior year financial statements

"Board of Directors' Fees" which were being accounted under "Operating Expenses" as "Staff Costs", reclassified to "Operating Expenses" as "Other Administrative Expenses" as of December 31, 2016. In 2015 financials, balance amounting to TL 171 was reclassified to "Other Administrative Expenses in parallel with 2016.

Warranties that are granted for the financial lease transactions for December 31, 2015 for TL 15,207,888; are begun to be shown under "Guarantees" item in terms of consistency with December 31, 2016 financials in line with BRSA and IAS 8.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgment is necessary to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances. Fair value has been determined by discounting the relevant cash flows using current interest rates for bank borrowings and finance lease receivables. The carrying amounts of the cash at banks-time, and trade payables approximate their fair values due to their short-term maturities.

The Company utilizes currency forward and cross currency swap derivative instruments. "Currency forwards" represent commitments to purchase or to sell foreign and domestic currency, including undelivered spot transactions. "Cross currency swaps" represents an agreement between two parties to exchange principals and interest on loans denominated in two different currencies. The Company conducts these transactions in order to hedge foreign currency position and manage the fixed or floating assets and liabilities on the balance sheet. The fair values of derivative instruments held at December 31, 2016, are disclosed in note 17.

Set out below is a comparison by category of carrying amounts and fair values of the Company's finance lease receivables and funds borrowed that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	2016	2015	2016	2015
Financial assets				
Finance lease receivables	2,706,599	1,947,904	2,779,801	1,957,098
Financial liabilities				
Funds borrowed	1,414,105	1,353,994	1,411,869	1,345,844
Debt securities issued	565,195	168,978	565,590	168,659

The fair values of other financial assets and liabilities approximate their carrying values.

The interest used to determine the fair values of lease contracts receivables, applied on the balance sheet date to reflect active market price quotations are as follows:

	Interest Rates Applied (%)	
	2016	2015
Turkish Lira	14.00	14.50
USD	6.00	5.37
EURO	4.00	5.13

Current interest rates are used for each borrowing individually to determine fair values of funds borrowed.

5. Segment information

Since the Company operates only in leasing activities and in a single geographical area, segment information is not provided.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

6. Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Allowance for impairment of finance lease receivables
- Deferred tax asset

The Company, in prospect of collection and/or levied by sales in the future, calculates deferred tax on its non-performing loan portfolio addition to its corporate tax base.

- Impairment on available for sale securities
- Retirement pay liability

7. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	2016	2015
Cash on hand	-	2
Cash at banks	42,718	230,697
Cash and cash equivalents	42,718	230,699

As of December 31, 2016 and 2015, the average maturity of the time deposits is less than 3 months.

The composition of bank deposit is as follows:

	2016			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency
Time deposit	22,748	19,109	6.38-8.50	0.04-1.85
Demand deposit	536	325	-	-
Total	23,284	19,434		

	2015			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency
Time deposit	65,220	164,485	8.50- 13.50	0.01 - 2.60
Demand deposit	562	430	-	-
Total	65,782	164,915		

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Cash and cash equivalents as stated in the cash flow statement are as follows:

	2016	2015
Cash on hand	-	2
Cash at banks	42,718	230,697
Interest accrual on time deposits	(12)	(303)
Cash and cash equivalents as stated in the cash flow statement	42,706	230,396

8. Finance lease receivables

As of December 31, 2016 and 2015, details of gross investments in finance lease receivables, is as follows:

	2016	2015
Gross finance lease receivables	2,919,225	2,099,081
Finance lease receivables outstanding	28,924	20,269
Others (*)	4,766	4,665
Less: Unearned interest income	(457,033)	(307,748)
	2,495,882	1,836,283
Equipments to be leased (**)	83,414	50,177
Advances given related with finance leases	59,828	22,389
	2,639,124	1,908,849
Impaired finance lease receivables	162,568	104,323
Reserve for impairment	(95,093)	(65,268)
Reserve for individual impairment	(88,150)	(59,538)
Reserve for collective impairment	(6,943)	(5,730)
Net finance lease receivables	2,706,599	1,947,904

(*) Others, consist of insurance receivables from lessees and expenses charged to lessees related to finance lease contracts.

(**) The Company purchases machinery and equipment from foreign and domestic vendors in relation to the finance lease agreements signed in the current year, which will be completed in the subsequent year. As of December 31, 2016 and 2015, the equipment to be leased balance includes cost of the equipment to be leased as described above together with related expenses.

The maturity profile of long-term net finance lease receivables is as follows;

	2016	2015
2017	675,947	502,492
2018	462,857	324,852
2019	250,018	179,988
2020	133,213	66,759
2021	52,282	36,744
2022	29,324	22,104
2023	6,915	2,554
Total	1,610,556	1,135,493

As of December 31, 2016 effective interest rates for USD, Euro and TL lease receivables are 6.07%, 5.28% and 15.41%; respectively (2015 - 6.12% for USD, 5.82% for Euro and 14.56% for TL).

The guarantees received for finance lease and aging of receivables are provided in note 28, Financial Risk Management, Credit Risk.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Movements in the reserve for individual impairment, for the year ending December 31, 2016 and 2015 are as follows:

	2016	2015
Reserve at the beginning of the year	59,538	84,301
Provision	29,269	20,815
Recoveries	(657)	(1,055)
Receivables written-off (*)	-	(44,523)
Reserve at the end of year	88,150	59,538

(*) The Company has transferred its finance lease receivables amounting to TL 44,517 to an asset management company through revenue sharing agreement signed on December 29, 2015. Therefore such receivables were written off in the accompanying financial statements.

Movements in the reserve for collective impairment for the year ending December 31, 2016 and 2015 are as follows:

	2016	2015
Reserve for collective impairment at the beginning of the year	5,730	5,204
Provision/(recovery) for collective impairment	1,213	526
Reserve for collective impairment at the end of year	6,943	5,730
Provision/(recovery) of the reserve for individual impairment	28,612	19,760
Provision/(recovery) of the reserve for collective impairment	1,213	526
Provision for the year	29,825	20,286

9. Available-for-sale financial assets

	2016	2015
Equity instruments	140	140
	140	140

Available-for-sale investments at cost represent the Company's equity holdings in the companies, shares which are not publicly traded. The list of equity instruments are as follows:

	2016		2015	
	Amount	Participation-%	Amount	Participation-%
Equity instruments - unlisted				
Finans Yatırım Menkul Değerler A.Ş.	136	Less than 1	136	Less than 1
Ibtech Uluslararası Bil. ve İlet. Tekn. Araşt.				
Gel. Dan. Des. San. ve Tic. A.Ş.	4	Less than 1	4	Less than 1
Finans Portföy Yönetimi A.Ş.	<1	Less than 1	<1	Less than 1
Finans Faktoring Hizmetleri A.Ş.	<1	Less than 1	<1	Less than 1
PSA Finansman A.Ş.	<1	Less than 1	<1	Less than 1
	140		140	

Finans Finansal Kiralama Anonim Şirketi
Notes to the Financial Statements
as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

10. Property, plant and equipment

	Furniture and equipment	Leasehold improvements	Land	Buildings	Total
January 1, 2016, net of accumulated depreciation	787	60	1,274	306	2,427
Additions	204	21	-	270	495
Disposals	-	-	(66)	(42)	(108)
Depreciation charge for the year	(224)	(19)	-	(9)	(252)
Accumulated depreciation for disposals	-	-	-	4	4
Impairment charge for the year	-	-	-	-	-
At December 31, 2016, net of accumulated depreciation	767	62	1,208	529	2,566
At December 31, 2015					
Cost	5,722	123	1,361	322	7,528
Accumulated depreciation	(4,935)	(63)	-	(16)	(5,014)
Accumulated impairment	-	-	(87)	-	(87)
Net carrying amount, at December 31, 2015	787	60	1,274	306	2,427
At December 31, 2016					
Cost	5,753	143	1,208	550	7,654
Accumulated depreciation	(4,986)	(81)	-	(21)	(5,088)
Accumulated impairment	-	-	-	-	-
Net carrying amount, at December 31, 2016	767	62	1,208	529	2,566

11. Intangible assets

	Software	Total
At January 1, 2016, net of accumulated amortization	888	888
Additions	353	353
Amortization charge for the year	(274)	(274)
At December 31, 2016, net of accumulated amortization	967	967
At December 31, 2015		
Cost	3,440	3,440
Accumulated amortization	(2,552)	(2,552)
Net carrying amount, at December 31, 2015	888	888
At December 31, 2016		
Cost	3,749	3,749
Accumulated amortization	(2,782)	(2,782)
Net carrying amount, at December 31, 2016	967	967

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

12. Other assets

	2016	2015
Prepaid insurance expenses of finance lease contracts	30,256	21,283
Value added tax receivables	3,481	56
Other prepaid expenses	499	353
Other miscellaneous receivables	193	193
Personnel advances given	19	22
Advances and deposits given	4	7
Prepaid corporate income taxes (please refer to Note 20)	-	4,675
	34,452	26,589

13. Assets held for sale

Assets held for sale are those with highly saleable condition requiring a plan by the management regarding the sale of the asset to be disposed, together with an active program for determination of buyers as well as for the completion of the plan. Also, the asset shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be accounted as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Company classifies its assets, obtained in exchange for receivables as assets held for sale within the scope of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Company measures its asset held for sale at the lower of carrying amount and fair value less cost to sell.

As of December 31, 2016; the Company does not have any assets held for sale.

14. Funds borrowed

	2016		
	Original amount ('000)	TL equivalent	Interest rate (%)
Short term		-	
Fixed interest			
	TL	-	-
Long term		1,414,105	
Fixed interest			
	EUR	105,024	389,628
	USD	89,893	316,352
	TL	171,535	171,535
			2.50 - 3.55
			1.25 - 4.10
			12.50 - 13.17
Floating interest			
	EUR	127,931	474,612
	USD	17,611	61,978
			2.28 - 4.35
			4.05 - 4.09
Total		1,414,105	

Finans Finansal Kiralama Anonim Şirketi
Notes to the Financial Statements
as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

					2015		
					Original amount ('000)	TL equivalent	Interest rate (%)
Short term					21,750		
Fixed interest							
	TL	21,750	21,750		11.40		
Long term					1,332,244		
Fixed interest							
	EUR	98,391	312,646		2.71 - 4.45		
	USD	112,546	327,239		1.25 - 3.30		
	TL	95,194	95,194		10.95 - 11.25		
Floating interest							
	EUR	156,257	496,523		2.46 - 4.40		
	USD	34,613	100,642		3.33 - 4.84		
Total					1,353,994		

Repayments of long term funds borrowed are as follows:

	2016		2015	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2016	-	-	469,800	211,760
2017	680,236	120,707	210,622	101,718
2018	157,751	123,121	45,782	105,551
2019	27,944	204,739	4,473	105,551
2020	9,523	84,819	4,402	69,841
2021	2,061	3,204	-	2,744
Total	877,515	536,590	753,079	597,165

The Company has obtained letters of guarantee amounting to TL 1,340 and USD 14 Thousand (2015 - TL 1,661 and USD 14 Thousand) and submitted to various legal authorities.

Additionally, the shareholder bank has given letters of guarantee amounting to TL 769 (2015 - TL 1,010) to customs authorities and courts.

15. Debt securities issued

The breakdown of debt securities in issue as of December 31, 2016 and 2015 are as follows:

	2016	2015
Bills issued (*)	453,262	98,049
Bonds issued (**)	109,869	69,854
Interest accrual on bonds issued	2,064	1,075
Total	565,195	168,978

(*) The Company issued bills with a nominal value of TL 67,000 on January 19, 2016, TL 62,240 on June 7, 2016, TL 75,820 on August 29, 2016, TL 78,000 on September 30, 2016, TL 91,051 on December 8, 2016, TL 62,710 on December 9, 2016 and TL 25,000 on December 29, 2016. Maturities of bills are January 17, 2017, June 6, 2017, February 24, 2017, March 28, 2017, April 12, 2017, March 17, 2017, and March 28, 2017 respectively.

(**) The Company issued bonds with a nominal value of TL 40,000 on January 30, 2015, TL 30,000 on June 5, 2015 and TL 40,000 on May 25, 2016. Maturities of bonds are January 27, 2017, June 2, 2017 and May 23, 2018 respectively.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

16. Trade payables and advances from customers

Trade payables comprise of amounts due to suppliers for assets purchased which are subject to finance lease agreements. As of December 31, 2016 trade payables amount to TL 99,673 (2015 - TL 50,659).

Advances from customers comprise of the amounts received from the lessee's. As of December 31, 2016, advances from customers amount to TL 27,145 (2015 - TL 20,649).

17. Derivative financial instruments

The breakdown of derivative financial instruments as of December 31, 2016 is as follows:

As of December 31, 2015; the Company does not have any derivative financial instruments.

2016	Fair value assets	Fair value liabilities	Notional amount in TL equivalent
Derivatives held for trading			
Currency swap purchase contracts	3,063	(4,200)	480,842
Total	3,063	(4,200)	480,842

Derivative financial instruments are further analysed as a part of the balance sheet in the notes: Commitments and contingent liabilities (Note - 29) and Financial risk management (Note - 28)

18. Other liabilities and accruals

	2016	2015
Bonus accrual	2,750	2,500
Unused vacation	2,114	1,799
Miscellaneous provisions	1,063	-
Taxes and social security premiums payable	1,046	655
Deferred income on commissions	280	150
Advances received related to leasing transactions	270	182
Others	305	256
Total	7,828	5,542
Movement for bonus accrual		
	2016	2015
Balance at the beginning of the year	2,500	2,000
Charge for the year	2,750	2,500
Paid during the year	(2,286)	(1,940)
Provision reversal related to previous year	(214)	(60)
Balance at the end of the year	2,750	2,500
Movement for unused vacation pay accrual		
	2016	2015
Balance at the beginning of the year	1,799	1,450
Charge for the year	339	400
Paid during the year	(24)	(51)
Balance at the end of the year	2,114	1,799

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

19. Reserve for employee termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 4,426.16 in full currency at January 1, 2017 (January 1, 2016 - TL 4,092.53 in full currency) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

The liability is not funded, as there is no funding requirement.

As of December 31, 2016 and 2015 retirement pay liability of the Company is accounted based on the actuarial calculations performed by an independent actuary. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. All the actuarial gains and losses are accounted at other comprehensive income. Based on the change to IAS 19 as of December 31, 2016 TL 738 of actuarial change of retirement pay and its deferred tax amounted to TL 148 has been booked under equity as "Unclassified Profit or Loss of Accumulated Other Comprehensive Income" account (December 31, 2015 - TL 710 increase in retirement pay and TL 142 deferred tax effect).

Accordingly, the following actuarial assumptions were used in the calculation of the following liability by the independent actuary:

	2016	2015
Discount rate	11.40%	11.00%
Rate of compensation increase	8.80%	8.75%
Average future working life	9.40	10.90
Inflation rate	7.80%	7.75%

Movements in the reserve for employee termination payments are as follows:

	2016	2015
Balance at the beginning of the year	1,835	1,611
Service cost	231	207
Interest cost	201	131
Actuarial (gain)/loss	29	22
Settlement/Curtailment/Termination loss/(gain)	19	19
Payments during the year	(38)	(155)
Balance at the end of the year	2,277	1,835

20. Income taxes

Corporate tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2016 is 20% (2015 - 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2016 is 20% (2015 - 20%).

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 - 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

The application of investment incentives is revoked commencing from January 1, 2006. However, companies were allowed to offset their carried forward outstanding allowances as of December 31, 2005 against the 2006, 2007 and 2008's taxable income in cases where they have sufficient taxable profits. After offsetting from the 2008's taxable income, unused investment incentives cannot be carried forward to following years.

The effective tax rate of the Company as of December 31, 2016 is 20% (2015 - 20%).

	2016	2015
<u>Tax provision</u>		
Current corporate tax provision	(19,408)	(10,091)
Less: advance taxes and surcharges	11,467	14,766
	(7,941)	4,675
<u>Tax income comprises:</u>		
Current tax charge	(19,408)	(10,091)
Deferred tax charge	2,984	(4,059)
	(16,424)	(14,150)

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

Under IAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Finans Finansal Kiralama Anonim Şirketi
Notes to the Financial Statements
as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

	2016	2015
<u>Deferred tax asset</u>		
Reserve for possible lease receivable losses	47,610	36,421
Expense accruals on derivative transactions	4,200	-
Bonus accrual	2,750	2,500
Employee termination benefit	2,277	1,835
Unused vacation pay liability	2,114	1,799
Other	1,728	854
	60,679	43,409
<u>Deferred tax liabilities</u>		
Prepaid commission net off for funds borrowed and debt securities	(3,067)	(3,692)
Income accruals on derivative transactions	(3,063)	-
Restatement effect on property, plant and equipment and intangible assets	(680)	(540)
Expense accruals on funds borrowed	(456)	(717)
	(7,266)	(4,949)
Net deferred tax assets	53,413	38,460

The breakdown of deductible and taxable temporary differences as of December 31, 2016 and 2015 are as follows:

	2016	2015
<u>Deferred tax asset</u>		
Reserve for possible lease receivable losses	9,522	7,284
Expense accruals on derivative transactions	840	-
Bonus accrual	550	500
Employee termination benefit	455	367
Unused vacation pay liability	423	360
Other	346	171
	12,136	8,682
<u>Deferred tax liabilities</u>		
Prepaid commission net off for funds borrowed and debt securities	(613)	(738)
Expense accruals on funds borrowed	(91)	(143)
Restatement effect on property, plant and equipment and intangible assets	(136)	(108)
Income accruals on derivative transactions	(613)	-
	(1,453)	(989)
Net deferred tax assets	10,683	7,693

Finans Finansal Kiralama Anonim Şirketi
Notes to the Financial Statements
as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Movement of deferred tax asset is presented as follows:

	2016	2015
Deferred tax asset at January 1	7,693	11,748
Deferred tax recognized in the income statement	2,984	(4,059)
Deferred tax recognized in the equity	6	4
Deferred tax asset at December 31	10,683	7,693

A reconciliation of income tax applicable to profit from operating activities before income tax at the statutory income tax rate to income tax at the Company's effective income tax rate for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Profit from operations before tax	74,588	67,362
Tax at the income tax rate of 20%	(14,918)	(13,472)
Tax effects of:		
- Revenue that is exempt from taxation	8,733	11,710
- Expenses that are not deductible in determining taxable profit	(13,005)	(8,706)
- Other	2,766	(3,682)
Income tax	(16,424)	(14,150)

21. Share capital

	2016	2015
Number of common shares (authorized, issued and outstanding) TL 0.01 par value	11,500,000,000	11,500,000,000

The movement of the share capital (in numbers and in historical TL) of the Company during 2016 and 2015 is as follows:

	2016		2015	
	Number	TL	Number	TL
At January 1	11,500,000,000	115,000	11,500,000,000	115,000
At December 31	11,500,000,000	115,000	11,500,000,000	115,000

As of December 31, 2016 and 2015, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	2016		2015	
	Amount	%	Amount	%
Finansbank A.Ş.	114,308	99.40	58,715	51.06
National Bank of Greece S.A.	-	-	34,346	29.87
Finans Yatırım Menkul Değerler A.Ş.	-	-	20,685	17.99
Other	692	0.60	1,254	1.08
Total in historical TL	115,000	100.00	115,000	100.00
Inflation adjustment to share capital	44,353		44,353	
Total	159,353		159,353	

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

As from 31.12.2016 and 2015, shareholders 42.16% shares are open to public. Company does not have preferred stock.

As of 08.02.2016, NBG owned 3,434,632,224 share which consists of 29.87% of company's capital with TL 34,346 nominal value has been bought with the total price of TL 128,111, which is determined from over exact TL 3.73 in exact TL 1 nominal valued 100 share according to Application Procedures and Principles of Borsa İstanbul A.Ş. wholesale Transactions, by QNB Finansbank.

As a result of direct acquisition of QNB Finansbank by QNB as of 15.06.2016, managerial control of the company was indirectly transferred to QNB. Within that process, the Mandatory share purchase offer obligation occurred with the respect of SPK provision numbered II-26.1: Mandatory Share Offer Communique.

After share transfer, QNB's share on the company capital became over 97% and that provided right to other partners to sell their shares in accordance with the SPK communique numbered II-27.2: Rights of Removal From Partnership and Selling. After that, the shareholders, other than dominant partner QNB, acquired the right to sell their own share within the limited dates (16.06.2016-16.09.2016) that started after the date; 15.06.2016 and QNB involved in the partnership. With the demand of use the right to sell, QNB Finansbank's share rate in capital was updated to 81.41%.

SPK Communique numbered II-27.2: Rights of Removal From Partnership and Selling

As a consequence of transfer of Finans Menkul Değerler A.Ş.'s share to QNB Finansbank on 06.12.2016, none of Finans Yatırım Menkul Değerler A.Ş. shares have remained in the Companies equity and QNB Finansbank enhanced its share in company capital to 99,40%

22. Legal reserves and retained earnings

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above and the Capital Markets Board ("CMB") regulations regarding profit distribution.

According to the General Assembly held on March 30, 2015, the Company has resolved to retain the profit of 2013 as retained earnings after appropriating legal reserve.

Dividends

Public companies pay dividends according to the "Dividend Distribution Communique" issued by CMB dated January 21, 2014 and "Principals of Dividend Distribution" issued by CMB dated January 27, 2014. The Board of Directors has not made any decisions regarding profit distribution for the year 2016.

23. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation, such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly, the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2016.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The following reflects the income and share data used in the basic earnings per share computations:

	2016	2015
Net profit attributable to ordinary equity holders of the parent for basic earnings per share	58,164	53,212
Weighted average number of ordinary shares for basic earnings per share (TL 0.01 par value)	11,500,000,000	11,500,000,000
Basic earnings per TL 1 share	0.506	0.463

24. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the operating decisions. The Company is controlled by Finansbank, which owns 99.40% (2015 - 51.06%) of ordinary shares. The Company was controlled by NBG as of previous year.

(a) Balances outstanding and other transactions with the parent Bank:

	2016	2015
Balances outstanding		
Funds borrowed	71,824	59,113
Cash and cash equivalents	19,985	229,497
Loss on derivative transactions	2,821	-
Gain on derivative transactions	1,603	-
Finance lease receivables	998	2,063
Other liabilities	181	212
Other assets	61	56
Transactions		
Interest income on bank deposits	7,484	9,842
Interest expense	3,042	987
Rent expense	1,908	997
Gain on derivative transactions	1,660	-
Other administrative expenses	305	217
Income from finance leases	141	246
Other operating income	24	5
Loss on derivative transactions	-	2,542
Staff costs	-	16

As of December 31, 2016 the Company has derivative transactions entered with parent bank with a nominal value of TL 220,252. (2015 - None). Additionally, the parent bank has given letters of guarantee amounting to TL 769 (2015 - TL 1,010) to customs authorities and courts.

Finans Finansal Kiralama Anonim Şirketi
Notes to the Financial Statements
as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

(b) Balances outstanding and other transactions with other related parties:

	2016	2015
Balances Outstanding		
Other assets	377	144
Transactions		
Interest expenses	1,182	5,777
-NBG	671	5,759
-Other	511	18
Other operating expenses	48	35
Rent expense	-	465
Other operating income	-	88
Staff costs	-	19

(c) In 2016, compensation of the top management personnel of the Company amounted to TL 3,972 (2015 - TL 2,825).

25. Foreign exchange gains, including net gains or losses from dealing in foreign currency

The breakdown of foreign exchange gains, including net gains or losses from dealing in foreign currency is as follows:

	2016	2015
Foreign exchange gains	387,162	437,749
Foreign exchange losses	(382,351)	(430,263)
	4,811	7,486

26. Other income/(expenses), net

The breakdown of other operating income and other operating expense is as follows:

	2016	2015
Other income from financial lease transactions	3,222	2,285
Income from sale of tangible assets and assets acquired through foreclosure proceedings	2,105	1,350
Gain on sale of disposal of assets	195	88
Dividend income	-	88
Other income	18	17
Total other operating income	5,540	3,828
Miscellaneous expenses	(1,063)	(131)
Total other operating expenses	(1,063)	(131)
Total other operating income, (net)	4,477	3,697

Finans Finansal Kiralama Anonim Şirketi
Notes to the Financial Statements
as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

27. Operating expenses

The breakdown of operating expenses is as follows:

	2016	2015
Marketing, general and administrative expenses		
Expenses originating from leasing transactions	16,156	12,607
Rent expenses	3,139	2,999
Other administrative expenses	2,421	1,689
Consultancy, audit and legal fees	1,016	1,098
Taxes and duties other than on income	910	577
Travel and transportation expenses	634	639
Communication expenses	351	344
Total marketing, general and administrative expenses	24,627	19,953
Staff costs		
Wages and salaries	13,801	12,316
Provision for bonuses	3,237	2,440
Provision for employee termination benefits	451	357
Provision for unused vacation pay liability	339	400
Other fringe benefits	1,421	1,393
	19,257	16,906
Defined contribution share		
Social security premiums - employer share	1,979	1,604
	1,979	1,604
Total salaries and employee benefits	21,236	18,681
Depreciation and amortization	526	470
Total operating expenses	46,389	38,933

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

28. Financial risk management

Capital risk management

The Company manages its capital by achieving the continuity of its operations while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

As of December 31, 2016 and 2015, the leverage ratios are as follows:

	2016	2015
Total borrowings	2,078,973	1,573,631
Less: Cash and cash equivalents	(42,719)	(230,699)
Net liabilities	2,036,254	1,342,932
Total shareholders' equity	672,824	614,683
Shareholders' equity/liabilities	33.04%	45.77%

Financial instruments:

	2016	2015
Financial assets		
- Banks	42,719	230,697
- Finance lease receivables	2,706,600	1,947,904
- Available for sale investments	140	140
- Derivative financial instruments	3,063	-
Financial liabilities		
- Funds borrowed	1,414,105	1,353,994
- Debt securities in issue	565,195	168,978
- Trade payables	99,673	50,659
- Derivatives	4,200	-

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Company also obtains guarantees when appropriate.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The concentration of the Company's net finance lease receivables to industry groups is as follows:

	2016	2015
Building and Construction	22.4%	22.1%
Manufacturing	15.5%	16.6%
Textile	14.6%	17.1%
Health & Social Activities	7.8%	7.4%
Chemical	6.7%	6.1%
Wood and Wood products	5.8%	5.7%
Food	3.9%	2.3%
Mining and Quarrying	3.8%	3.9%
Automotive	3.3%	3.7%
Transportation and Storage	3.2%	3.5%
Printing	1.9%	2.1%
Other	11.1%	9.5%
Total	100.0%	100.0%

The breakdown of finance lease receivables is as follows:

	2016	2015
Neither past due nor impaired	2,293,844	1,695,528
Past due but not impaired	345,281	193,304
Individually impaired	162,568	124,340
Reserve for impairment	(95,093)	(65,268)
Total	2,706,600	1,947,904

As of December 31, 2016 and 2015 internal rating results for the neither past due nor impaired finance lease receivables are as follows:

	2016	2015
Debtor has a strong financial structure	1.4%	2.2%
Debtor has a good financial structure	27.3%	29.0%
Debtor has a medium financial structure	60.3%	58.9%
Debtor has a financial structure which needs attention in medium term	11.0%	9.9%
Total	100.0%	100.0%

As of December 31, 2016 and 2015 aging of past due but not impaired finance lease receivables is as follows:

2016	Invoiced and Accrued Amounts	Outstanding Principal
Between 1-30 days	14,856	237,674
Between 1-3 months	4,960	38,136
Between 3-12 months	3,334	18,982
Between 1-5 years	4,801	22,538
Total	27,951	317,330

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

2015	Invoiced and Accrued Amounts	Outstanding Principal
Between 1-30 days	8,052	123,315
Between 1-3 months	6,169	36,500
Between 3-12 months	4,535	14,733
Between 1-5 years	8,052	123,315
Total	26,808	297,863

As of December 31, 2016 and 2015 the guarantees received for the finance lease receivables are as follows:

	2016		2015	
	Nominal Value (*)	Fair Value (*)	Nominal Value (*)	Fair Value (*)
Suretyships	18,395,945	18,395,945	11,968,899	11,968,899
Mortgages	897,998	306,417	675,026	283,096
Assignment of receivables	90,543	90,543	66,329	66,329
Pledge of assets	65,162	52,177	30,000	13,263
Pledge of machinery & vehicles	30,000	13,263	40,773	36,741
Letters of guarantee	2,476	2,476	4,175	4,175
Cash blockages	1,960	1,960	1,871	1,871
Pledge of stocks	805	805	95	95
	19,484,889	18,863,586	12,787,168	12,374,469

(*) Leased assets are not included in the collateral amounts stated above.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and currency risk, including interest rate swaps, cross currency swaps and forwards.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Liquidity risk

Liquidity risk is defined as the risk that the Company will be unable to meet its cash requirements as a result of a change in cash flows. The Company monitors its cash flows on a daily basis. The Company manages this risk by diversifying its funding resources and by conducting its assets in liquidity priority. The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to discounted contractual maturity date.

LIABILITIES	Carrying Amount	2016					Over 1 year	Unallocated	Total
		Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	6 to 12 months			
Funds borrowed	1,414,105	85,527	143,694	199,688	418,050	653,353	-	1,500,312	
Debt securities issued	565,195	108,080	245,545	187,305	2,472	42,472	-	585,874	
Trade payables (*)	99,673	34,450	-	-	-	-	65,223	99,673	
Total liabilities	2,078,973	228,057	389,239	386,993	420,522	695,825	65,223	2,185,859	

LIABILITIES	Carrying Amount	2015					Over 1 year	Unallocated	Total
		Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	6 to 12 months			
Funds borrowed	1,353,994	3,424	161,829	202,875	367,044	690,030	-	1,425,202	
Debt securities issued	168,978	1,184	927	105,395	4,222	73,038	-	184,766	
Trade payables (*)	50,659	16,165	-	-	-	-	34,494	50,659	
Total liabilities	1,573,631	20,773	162,756	308,270	371,266	763,068	34,494	1,660,627	

(*) The unallocated portion of trade payables consists of letters of credit accruals whose payment terms are not finalized yet.

Relevant maturity groupings based on the remaining period of derivative financial instruments at balance sheet date to discounted contractual maturity date as of December 31, 2016 is as follows: (December 31, 2015 - None).

DERIVATIVES	Carrying Amount	2016					Over 1 year	Unallocated	Total
		Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	6 to 12 months			
Cash inflows	254,762	-	54,523	-	77,894	122,345	-	254,762	
Cash outflows	226,081	-	55,649	-	69,674	100,758	-	226,081	

Currency risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give risk to foreign exchange exposure. The Company's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency.

Finans Finansal Kiralama Anonim Şirketi
Notes to the Financial Statements
as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

The concentrations of assets, liabilities and off balance sheet items:

ASSETS	2016			
	USD	EUR	Others	Total
Cash and cash equivalents	6,000	13,433	1	19,434
Finance lease receivables	467,287	1,092,102	18,950	1,578,339
Derivative financial instruments	-	3,063	-	3,063
Other assets	4	-	-	4
Total assets	473,291	1,108,598	18,951	1,600,840
LIABILITIES				
Funds borrowed	378,331	864,240	-	1,242,571
Trade payables	23,168	46,333	18,063	87,564
Advances from customers	6,121	12,448	1	18,570
Derivative financial instruments	1,815	2,385	-	4,200
Other liabilities and provisions	-	-	-	-
Total liabilities	409,435	925,406	18,064	1,352,905
Net balance sheet position	63,856	183,193	887	247,936
Net off balance sheet position	(72,263)	(153,817)	-	(226,080)
Net position	(8,407)	29,376	887	21,856
2015				
ASSETS	USD	EUR	Others	Total
Cash and cash equivalents	40,848	124,068	1	164,917
Finance lease receivables	393,578	722,753	2,161	1,118,492
Derivative financial instruments	-	-	-	-
Other assets	4	-	-	4
Total assets	434,430	846,821	2,162	1,283,413
LIABILITIES				
Funds borrowed	427,881	809,169	-	1,237,050
Trade payables	16,157	26,823	1,681	44,661
Advances from customers	1,556	8,903	-	10,459
Derivative financial instruments	-	-	-	-
Other liabilities and provisions	101	-	-	101
Total liabilities	445,695	844,895	1,681	1,292,271
Net balance sheet position	(11,265)	1,926	481	(8,858)
Net off balance sheet position	-	-	-	-
Net position	(11,265)	1,926	481	(8,858)

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of monetary assets and liabilities that mature or reprice in a given period. The asset/liability committee manages this risk which occurs from the position of the company and from the volatility of the interest rates. The Company realizes derivative transactions in order to limit the risk. The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the re-pricing or contractual dates whichever is earlier.

ASSETS	2016					Non-interest bearing	Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year		
Cash and cash equivalents	41,858	-	-	-	-	860	42,718
Finance lease receivables	182,222	150,685	230,349	409,927	1,590,175	143,241	2,706,599
Derivative financial instruments	-	-	-	1,603	1,460	-	3,063
Total assets	224,080	150,685	230,349	411,530	1,591,635	144,101	2,752,380
LIABILITIES							
Funds borrowed	85,407	166,868	636,174	328,379	197,277	-	1,414,105
Debt securities in issue	107,367	369,564	88,264	-	-	-	565,195
Trade payables	-	-	-	-	-	99,673	99,673
Derivative financial instruments	-	2,386	-	483	1,331	-	4,200
Total liabilities	192,774	538,818	724,438	328,862	198,608	99,673	2,083,173
Interest sensitivity gap	31,306	(388,133)	(494,089)	82,668	1,393,027	44,428	669,207
Off balance sheet gap	-	(1,126)	-	8,220	21,588	-	28,682
Total interest sensitivity gap	31,306	389,259	(494,089)	90,888	1,414,615	44,428	697,889

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

ASSETS	2015					Non-interest bearing	Total
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year		
Cash and cash equivalents	191,569	38,138	-	-	-	992	230,699
Finance lease receivables	160,947	128,138	167,504	306,891	1,111,858	72,566	1,947,904
Derivative financial instruments	-	-	-	-	-	-	-
Total assets	352,516	166,276	167,504	306,891	1,111,858	73,558	2,178,603
LIABILITIES							
Funds borrowed	9,667	187,790	570,331	320,927	265,279	-	1,353,994
Debt securities in issue	40,735	30,194	98,049	-	-	-	168,978
Trade payables	-	-	-	-	-	50,659	50,659
Derivative financial instruments	-	-	-	-	-	-	-
Total liabilities	50,402	217,984	668,380	320,927	265,279	50,659	1,573,631
Interest sensitivity gap	302,114	(51,708)	(500,876)	(14,036)	846,579	22,899	604,972
Off balance sheet gap	-	-	-	-	-	-	-
Total interest sensitivity gap	302,114	(51,708)	(500,876)	(14,036)	846,579	22,899	604,972

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Interest rate sensitivity

Company's interest rate sensitive financial assets and liabilities are as follows:

	2016	2015
Financial instruments with fixed interest rate		
Financial assets		
- Banks (Note 7)	42,719	230,697
- Finance lease receivables (*)	2,540,765	1,849,898
Financial liabilities		
- Funds borrowed	877,515	756,829
- Debt securities in issue	391,065	98,049
Financial instruments with floating interest rate		
Financial assets		
- Finance lease receivables (*)	29,536	31,170
Financial liabilities		
- Funds borrowed	536,590	597,165
- Debt securities in issue	174,130	70,929

(*) Finance lease receivables, is before reserve for collective impairment and does not include equipment to be leased and advances given related with finance leases.

The interest rate sensitivity analysis is based on interest rate risk as of the balance sheet date and estimated interest rate fluctuations at the beginning of the fiscal year. The Company realized its sensitivity analysis based on 100 base points interest rate fluctuation scenario.

In the case of interest rates being 100 base points higher at balance sheet date and holding all other variables fixed:

- Interest income from floating interest rate finance lease contracts would increase by TL 279 (2015 - TL 308).
- Interest expense from floating interest rate borrowings would increase by TL 5,373 (2015 - TL 5,981).
- Interest expense from floating interest rate debt securities in issue would increase by TL 1,722 (2015 - TL 700).

Foreign currency sensitivity

The Company is mainly exposed to USD and EURO exchange rate risks. The statement below shows the sensitivity of the Company to USD and EURO when a 10% increase occurs at those currencies' exchange rates. Foreign currency sensitivity analysis for the reporting period of the Company is determined based on the change at the beginning of the fiscal year and fixed during the reporting period. Positive amount refers to increase in net profit.

	USD Effect		EURO Effect	
	2016	2015	2016	2015
Profit/(Loss)	(841)	(1,127)	2,938	193

Finans Finansal Kiralama Anonim Şirketi
Notes to the Financial Statements
as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

2016	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	-	3,063	-	3,063
	-	3,063	-	3,063
Financial liabilities at FVTPL				
Derivative financial instruments	-	4,200	-	4,200
	-	4,200	-	4,200
2015	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	-	-	-	-
	-	-	-	-
Financial liabilities at FVTPL				
Derivative financial instruments	-	-	-	-
	-	-	-	-

There are no transfers between the levels during the year.

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data.

Finans Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements

as of and for the Year Ended December 31, 2016

(Currency - Thousands of Turkish Lira (TL) unless otherwise stated)

29. Commitments and contingent liabilities

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at December 31, 2016 and 2015.

Legal proceedings

The Company has not provided any provision against certain open legal cases as of December 31, 2016 (December 31, 2015 - None).

Commitments under derivative instruments

	December 31, 2016		December 31, 2015	
	Nominal original amount	Nominal TL	Nominal original amount	Nominal TL
Forward and Swap Purchase Transactions				
USD	20,534	72,263	-	-
EUR	41,461	153,817		
Total Purchase		226,080		-
Forward and Swap Sale Transactions				
TL	254,762	254,762	-	-
Total Sales		254,762		-
		480,842		-

Guarantees given

The Company has letters of credit in the amount of TL 1,390 (2015 - TL 1,702) and finance lease commitments in the amount of TL 501,254 for the leased asset imports (2015 - TL 210,052).

There has been no major change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

30. Capital risk management

In accordance with Article 12 of the "Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies" published in the Official Gazette dated December 24, 2013, the Company is required to keep its equity in accordance with the standard set out in the regulation which is, equity to total assets of not less than 3%. The Company complies with this requirement as of December 31, 2016 and 2015.

31. Subsequent events

As of January 21, 2017, the Company issued bill amounting to TL 70,000 having a maturity of April 28, 2017.

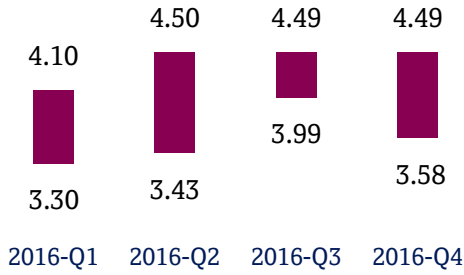
Shareholders' Information

Stock Exchange

Finans Leasing shares are listed on Borsa Istanbul ("BIST") under the "FFKRL" ticker and in the newspapers as "Finans Finansal K."

Share Prices by Quarter (TL)

2016	Q1	Q2	Q3	Q4
Lowest	3.30	3.43	3.99	3.58
Highest	4.10	4.50	4.49	4.49



Investor Relations

Our annual report and interim reports are available without charge upon request to our following address:

Finans Leasing
Address: Esentepe Mah. Büyükdere Cad.
Kristal Kule Binası No: 215 Kat: 22
Şişli 34394 İstanbul

Annual Meeting

The annual meeting of shareholders of Finans Leasing will be held on 31 March 2017.

Stockbrokers

Finans Yatırım Menkul Değerler A.Ş.

Auditors

Güney Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Address: Maslak Mah. Eski Büyükdere Cad.
No: 27 Sarıyer 34398 İstanbul
Tel: (90 212) 315 3000
Fax: (90 212) 230 82 91

Tax Consultants

Yetkin Yeminli Mali Müşavirlik A.Ş.
Address: Kavacık, Rüzgarlı Bahçe Mah.
Kavak Sokak No: 29 Beykoz, İstanbul
Tel: (90 216) 681 91 00
Fax: (90 216) 681 91 91

Company Directory

	Address	Phone	Fax
Head Office	Esentepe Mah. Büyükdere Cad. Kristal Kule Binası No: 215 Kat: 22 Şişli 34394 İstanbul	(90 212) 349 11 11	(90 212) 350 60 00
Branches			
Adana	Atatürk Cad. Kemal Özülkü İş Hanı No: 7 Kat: 15 Seyhan/Adana	(90 322) 457 32 54	(90 322) 457 79 58
Ankara	Atatürk Bulv. No: 140 Kavaklıdere/Ankara	(90 312) 457 11 99	(90 312) 457 12 91
Antalya	Tarım Mah. Aspendos Bulv. No: 92/1 Ata Plaza Kat: 2 Muratpaşa/Antalya	(90 242) 311 18 41	(90 242) 311 18 40
Bursa	Fevzi Çakmak Cad. Gökteş İş Merkezi No: 62 Osmangazi/Bursa	(90 224) 362 84 70	(90 224) 363 01 23
Diyarbakır	Peyas Mah. Urfa Bulv. Rema C Blok No: 124/A Kayapınar/Diyarbakır	(90 412) 251 11 90	(90 412) 251 11 97
Dudullu	Esenkent Mah. Des Sanayi Sitesi A Blok 2 Yukarı Dudullu, Ümraniye/İstanbul	(90 216) 526 14 10	(90 212) 350 60 11
Gaziantep	İncilipınar Mah. 3 Nolu Cad. Akınalan İş Merkezi No: 36 - 37 K: 3 Şehitkamil/Gaziantep	(90 342) 232 11 51	(90 342) 230 46 35
Gebze	Osman Yılmaz Mah. İstanbul Cad. No: 52/A 41400 Gebze/Kocaeli	(90 262) 643 38 31	(90 262) 643 38 31
İkitelli	Karaçalık Mevkii İmsan Küçük Sanayi Sitesi E Blok No: 14 İkitelli/İstanbul	(90 212) 471 30 33	(90 212) 350 60 12
İstanbul Atatürk Airport Free Zone	Atatürk Hava Limanı Serbest Bölge 2. Kısım A Blok No: 443 Bakırköy/İstanbul	(90 212) 349 11 58	(90 212) 350 60 58
İzmir	Şehir Nevres Bulv. No: 8/1 Montrö/İzmir	(90 232) 488 11 87	(90 232) 488 11 84
İzmit	Körfez Mah. Ankara Karayolu Cad. No: 121/B İzmit/Kocaeli	(90 262) 335 17 80	(90 262) 335 17 89
Kayseri	Osman Kavuncu Cad. No: 227 Yeni Sanayi Karşısı Melikgazi/Kayseri	(90 352) 332 44 18	(90 352) 332 44 18

Head Office

Esentepe Mah. Büyükdere Cad.
Kristal Kule Binası
No: 215 Kat: 22
Şişli 34394 İstanbul

Phone (90 212) 349 11 11
Fax (90 212) 350 60 00
www.qnbfl.com