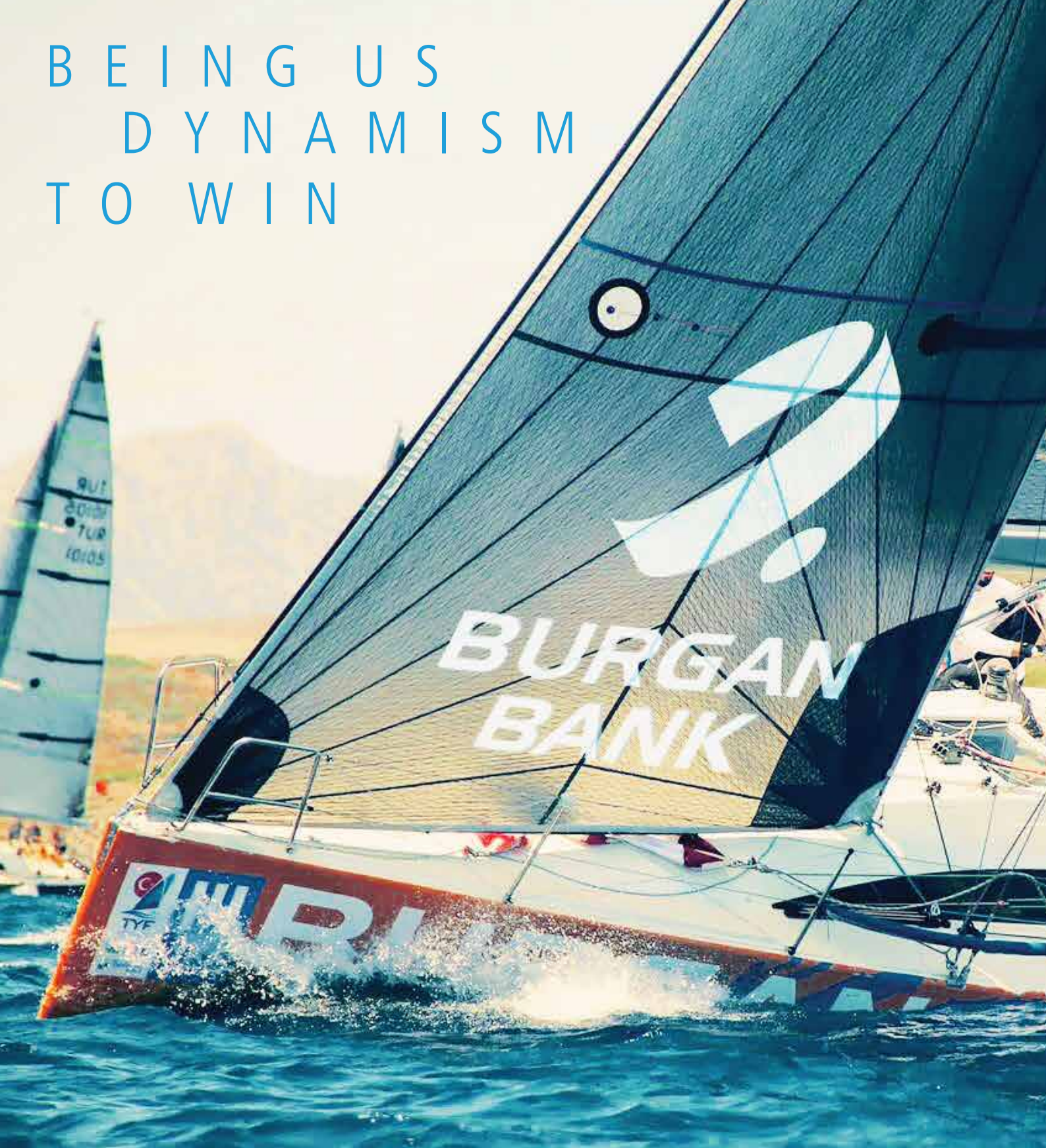


BEING US
DYNAMISM
TO WIN



2017 ANNUAL REPORT



SECTION ONE GENERAL INFORMATION

- 1 Contact Information and Declaration
- 3 Corporate Profile
- 4 Vision, Mission, Goals and Corporate Values
- 5 Milestones from 1989 until 2017
- 6 Summary Financial Information for the Fiscal Year
- 6 The Bank's Shareholding Structure, Changes in the Capital and Shareholding Structure During the Reporting Period, Titles and Stakeholding of Real Persons or Legal Entities with Qualified Shares
- 7 The Historical Development of the Bank, Amendments to the Articles of Association During the Reporting Period and Reasons Thereof
- 7 Information on the Bank's Shares (If Any) Held by the Chairman and Members of the Board of Directors, CEO and Executive Vice Presidents
- 8 Chairman's Assessment of the Fiscal Year and Future Outlook
- 12 General Manager's Assessment of the Fiscal Year and Future Outlook
- 16 An Overview of 2017
- 32 Burgan Finansal Kiralama A.Ş. (Burgan Leasing)
- 33 Burgan Yatırım Menkul Değerler A.Ş. (Burgan Securities)
- 33 Burgan Wealth - Dubai
- 34 Information Related to Personnel and Branch Number, Evaluation of the Bank's Position in the Sector
- 34 R&D Practices Related to New Services and Activities
- 35 Information on Benefits Provided to Top Management
- 35 Information Concerning Legal Action Taken Against the Bank Which May Affect the Financial Status or Operations of the Bank and Their Possible Results
- 35 Explanations with Respect to Administrative or Legal Sanctions Imposed on the Bank, Members of the Board or Top Management in Connection with Acts or Procedures in Violation of the Codes
- 35 Sum of Financial Benefits Provided Such As Daily Allowances, Salaries, Premiums, Bonuses or Dividends

SECTION TWO CORPORATE GOVERNANCE PRACTICES

- 37 Names & Surnames, Terms of Office, Area of Responsibility, Academic Backgrounds and Professional Experience of the Chairman of the Board of Directors, Director and Members of the Audit Committee, General Manager and Vice Presidents, and Heads of the Units under Internal Systems
- 37 Terms of Office and Professional Experience of Statutory Auditors
- 38 Activities of the Credit Committee and of the Committees Reporting to, or Set Up to Assist, the Board of Directors Under Risk Management Systems Pursuant to the Regulation on Banks' Internal Systems, and the Names, Surnames and Principal Duties of the Heads and Members Serving on These Committees

- 42 Board of Directors' Summary Report Presented to the General Assembly
- 43 Information about Human Resources Practices
- 45 The Bank's Transaction with Its Risk Group
- 45 Information Regarding Affiliate Report
- 46 Fields of Activity in Which Support Services Were Procured and the Persons and Companies from Which They Were Procured Pursuant to the Regulation on the Support Services to be Procured by Banks and Authorization of Support Service Providers
- 48 Corporate Governance Report

SECTION THREE FINANCIAL INFORMATION AND RISK MANAGEMENT

- 51 Report by Statutory Auditors Organized Pursuant to Article 347 of the Turkish Commercial Code Dated 13/01/2011 and No.6102 (see APPENDIX-1)
- 51 An Assessment by the Audit Committee of the Operation of Internal Control, Internal Audit and Risk Management Systems and Their Activities in the Reporting Period
- 51 Independent Auditors' Report (see APPENDIX-1)
- 51 Financial Statements and Information on Financial Structure (see APPENDIX-2 and 3)
- 52 An Assessment of the Financial Status, Profitability and Solvency
- 55 Information on Risk Management Policies Implemented by Types of Risks
- 56 Ratings Granted by Rating Agencies and their Contents
- 57 Summary Financial Data for the Past Five Years Including the Reporting Period

SECTION FOUR CONSOLIDATED FINANCIAL STATEMENTS

- 59 Consolidated Financial Information (see APPENDIX-3)
- 59 Information on Consolidated Subsidiaries

APPENDICES

- APPENDIX-1 Compliance Opinion on Annual Report
- APPENDIX-2 Unconsolidated Financial Statements
- APPENDIX-3 Consolidated Financial Statements

Directory

Contact Information and Declaration



Reporting Period	1 January 2017 – 31 December 2017
Company Name of the Bank	Borgan Bank A.Ş.
Head Office Address of the Bank	Maslak Mahallesi, Eski Büyükdere Caddesi, No:13 34450 Sarıyer / İstanbul
Phone No.	0212 371 37 37
Fax No.	0212 371 42 42
Website address	www.borgan.com.tr
Electronic mail address	bilgi@borgan.com.tr

This report is prepared in accordance with the Regulation on the "Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by Banks" published by the Banking Regulation and Supervision Agency, and is comprised of the following sections.

Section One	GENERAL INFORMATION
Section Two	CORPORATE GOVERNANCE PRACTICES
Section Three	FINANCIAL INFORMATION AND RISK MANAGEMENT
Section Four	CONSOLIDATED FINANCIAL INFORMATION AND CONSOLIDATED SUBSIDIARIES

The accompanying consolidated and unconsolidated financial information, which is expressed in thousands of Turkish lira, unless otherwise stated, has been drawn up based on the Bank's records in accordance with the Regulation on the Principles and Procedures for Accounting Practices by Banks and Retention of Records, Turkish Accounting Standards, Turkish Financial Reporting Standards and the notes and comments in relation thereto, and has been independently audited.

28 February 2018

 Mehmet N. ERTEN Yönetim Kurulu Başkanı	 Ali Murat DİNÇ Yönetim Kurulu Üyesi ve Genel Müdür	 Mehmet YALÇIN Genel Müdür Yardımcısı Mali İşler	 Ahmet CİGA Bölüm Başkanı Genel Muhasebe Vergi ve Yasal Raporlama
 Halil CANTEKİN Denetim Komitesi Başkanı	 Adrian Alejandro GOSTUSKI Denetim Komitesi Üyesi	 Osama T. AL GHOSSEIN Denetim Komitesi Üyesi	

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SECTION ONE

GENERAL INFORMATION

Corporate Profile

The main focus of Borgan Bank is customer satisfaction. The Bank's strategy prescribes profitable and healthy growth.

Borgan Bank offers services out of 43 branches in 16 cities where economic and commercial activity is most concentrated in Turkey.

Borgan Bank has set itself the goal of being the "solution partner for its customers". Operating in all banking segments, Borgan Bank reaches an extensive customer group in the corporate, commercial and retail banking segments, and delivers high-quality and high added-value products and services.

Its subsidiaries that are engaged in financial leasing (Borgan Leasing) and investment banking services (Borgan Securities) business lines function as complementary cross-selling platforms for Borgan Bank and produce synergic cooperation.

Moving forward with the strength derived from its dedication to banking ethics, particularly integrity, transparency, accountability and reliability, Borgan Bank prioritizes quality and customer orientation. The goal of the Bank is to establish and foster long-term relations with its stakeholders within the context of its service cycle.

The majority shareholder of Borgan Bank is strongly positioned in the Middle East and North Africa.

Borgan Bank K.P.S.C. (Kuwait), Borgan Bank's majority shareholder, is the youngest private capital commercial bank in Kuwait and is also the country's second largest bank in terms of asset size. Borgan Bank K.P.S.C. commands a strong position in the Middle East and North Africa (MENA) region and is a player with strong ambition in the global economy.

Borgan Bank takes advantage of its shareholder's extensive regional service network to generate permanent added value for its customers and to offer right and fast solutions for Turkish companies in their commercial relations with the countries in the region.

Borgan Bank's strategy

- dictates establishment of long-term relations with its customers concurrently with profitable and healthy growth.

As of 31 December 2017, Borgan Bank had TL 16,807,309 thousand in total assets, TL 13,262,537 thousand in loans and TL 8,928,115 thousand in deposits. The Bank's stand-alone and consolidated capital adequacy ratios stood at 19.60% and 17.32% respectively at the end of the year.

16 cities

Borgan Bank offers services in 16 cities in Turkey.

43
branches

Borgan Bank had 43 branches in total at the end of 2017.

Vision, Mission, Goals and Corporate Values

KIPCO
Group

Burgan Bank K.P.S.C. is a subsidiary of KIPCO Group (Kuwait Projects Company).

MENA
REGION

Burgan Bank Group is a leading banking group in the MENA region.

5
countries

Burgan Bank Group offers services in 5 countries.



For more information about Burgan Bank Group, please visit the website or scan the QR code on your mobile device's browser.

Vision

To be the best of class financial service provider in Turkey through sustained execution of best practice, innovation and stakeholder care.

Mission

Burgan Bank is your financial partner, forming a relationship with you based on integrity and trust, to provide expert specialist financial and investment solutions that help your business and personal wealth grow.

Goals

To maximize value for all our stakeholders (clients, personnel and shareholders) by building on Burgan Bank's three pillars of client delight and care, leveraging its operational and technological capabilities and nurturing our staff. Our stakeholders value must be consistent, growth-oriented and accomplished in the spirit of the corporate governance framework.

Corporate Values

Being Us

- We support each other as Burgan family.
- We work in harmony.
- We listen to each other's views and respect different opinions.
- We are open to one another; we act with fairness.

Dynamism

- We consider change as an opportunity; we comply with the changing circumstances quickly.
- We make quickly implementable decisions; we produce creative and practical solutions.
- We make a difference with alternative points of views.

To Win

- We take target-oriented actions; we set challenging goals.
- We make efforts for reaching the better; we do not give up against challenges.
- We always appreciate the efforts for reaching success.
- We efficiently use our resources while reaching our goals.

About Burgan Bank Group

Burgan Bank K.P.S.C. is an affiliate of the KIPCO Group (Kuwait Projects Company), one of the leading and pioneering groups in the Middle East and North Africa (MENA) region, and was established in Kuwait in 1977.

Burgan Bank Group is one of the key banking groups operating in the MENA region.

Besides Kuwait, Burgan Bank Group is active in Algeria (Gulf Bank Algeria), Iraq (Bank of Baghdad) and Tunisia (Tunis International Bank) through the banking associates in which it is a majority shareholder.

Burgan Bank Group, which positions our country as a growth area and a leading international financial center, is focused on creating synergy by combining its robust capitalization, high level of liquidity, international recognition and banking experience with Turkey's strength.

Milestones from 1989 until 2017

1989

Founded under the name of Tekfen Yatırım Finansman Bankası A.Ş., the Bank quickly became one of the sector's leading banks in corporate and investment banking.

2001

Providing services from a single branch until 2001, the Bank decided to implement an expansion strategy and deployed its knowledge in the area of commercial banking; the same year, it acquired Bank Ekspres, a midsize commercial bank.

2007

Tekfen Group and Eurobank EFG entered a partnership; following the completion of legal requirements, the Bank was renamed Eurobank Tekfen A.Ş.

2012

Burgan Bank K.P.S.C. (former Burgan Bank S.A.K.) acquired the shares in the Bank that had been held by Eurobank and Tekfen Holding on 21 December 2012, and became the majority shareholder with a 99.26% stake. Following the completion of legal amendments, the name of the Bank was changed to Burgan Bank A.Ş. with effect from 25 January 2013.

2013

Burgan Bank had substantially completed the restructuring of its infrastructure and human resources in accordance with its new shareholder's banking strategy, illustrating that it was prepared to achieve efficient and effective growth in its loan volume at a rate above the sector's average.

2014

Burgan Bank's loan and deposit volume outgrew the sector average by a large margin. The Bank achieved a sustainable profit and steady growth.

2015

The year 2015 marked a new milestone for Burgan Bank on its road map which is focused on sustainable growth and profitability.

2016

Burgan Bank has revealed its healthy financial structure and growth potential by achieving a rate of growth that exceeded the sector's average once again.

2017

Burgan Bank sustained its healthy growth, and began taking steps towards fulfilling the requirements of the digital age and competition in the business lines in which it offers services with its initiatives in digital banking.

Summary Financial Information for the Fiscal Year

(TL thousand)	31 December 2017 ^(*)	31 December 2016 ^(*)	%
Total Assets	16,807,309	13,721,616	22.5
Loans and Factoring Receivables (Net)	13,262,537	10,685,527	24.1
Marketable Securities	424,026	684,002	(38.0)
Deposits	8,928,115	8,309,833	7.4
Funds Borrowed and Money Market Borrowings	5,558,646	3,661,707	51.8
Shareholders' Equity	1,512,475	1,092,558	38.4
Guarantees and Warranties	2,118,649	1,982,236	6.9
Capital Adequacy Ratio (%)	19.60	17.66	11.0

	(1 January 2017- 31 December 2017)	(1 January 2016- 31 December 2016)	%
Net Profit/(Loss) for the Period	109,848	71,673	53.3

(*) In TL thousand based on unconsolidated financial statements

The Bank's Shareholding Structure, Changes in the Capital and Shareholding Structure During the Reporting Period, Titles and Stakeholding of Real Persons or Legal Entities with Qualified Shares

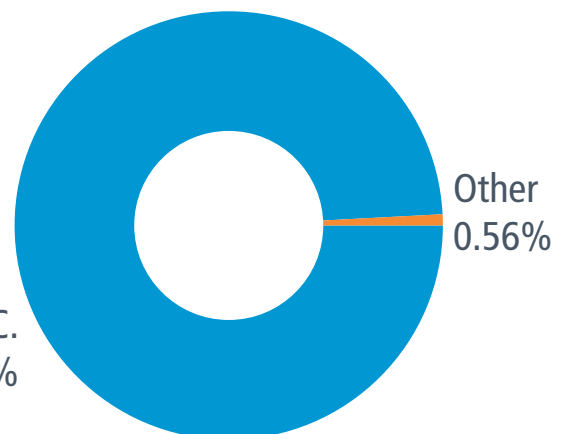
The Bank's paid-in capital is TL 1,185 million and the Bank has a capital ceiling of TL two billion as at year-end 2017.

Based on the Board of Directors decisions passed on 15 December 2017, 14 January 2018 and 21 February 2018, the Bank's capital was increased to TL 1,185,295,806.45 within the authorized capital limit. Burgan Bank K.P.S.C., the Bank's majority shareholder, deposited TL 285 million as pro rata payment in capital for the said raise in the Bank's account on 27 December 2017. The BRSA review and permission procedures for the said paid amount have been completed, and the same were reflected in the capital account in the financial statements prepared for the year ended 31 December 2017. Legal formalities are in progress in relation to the exercise of preemption right by other shareholders.

The Bank's shareholding structure as of 31 December 2017 is presented below and there were no changes to the Bank's shareholder structure apart from the effect stemming from the capital increase.

Company Name	Share Amount (TL thousand)	Share %
Burgan Bank K.P.S.C.	1,178,324	99.44
Other	6,676	0.56
Total	1,185,000	100.00

Burgan Bank K.P.S.C.
99.44%



The Historical Development of the Bank, Amendments to the Articles of Association During the Reporting Period and Reasons Thereof

Tekfen Yatırım ve Finansman Bankası A.Ş. was established as an “investment bank” with the permission of the Council of Ministers No. 88/13253 on 26 August 1988 and was authorized to finance investment and foreign trade activities. Banking operations commenced on 7 August 1989.

Bank Ekspres A.Ş. (“Bank Ekspres”) was established with the permission of the Council of Ministers decision No. 91/2316 dated 22 September 1991, and “The Decree of Establishment Permission” was published in the Official Gazette issue 21017 dated 10 October 1991. The Articles of Association was published in the Trade Registry Gazette no. 2969 dated 18 February 1992. The Turkish Savings Deposit and Insurance Fund (“SDIF”) took over the management of Bank Ekspres A.Ş. due to the poor financial structure of the Bank on 23 October 1998.

According to the Share Transfer Agreement signed between the SDIF and Tekfen Holding A.Ş. on 30 June 2001, 2,983,800,000 shares each with a nominal value of TL 0.01 representing 99.46% of the capital of Bank Ekspres A.Ş., in which the SDIF was a shareholder and held the management control pursuant to the Banks Law, were sold and transferred to Tekfen Holding A.Ş. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., in which Tekfen Holding A.Ş. held 57.69% of the shares, by Bank Ekspres A.Ş. was permitted by the Banking Regulation and Supervision Agency’s (“BRSA”) decision numbered 489 dated 18 October 2001. The share transfer took place on 26 October 2001 and the Bank’s name was changed to Tekfenbank Anonim Şirketi (the “Bank”), in which Tekfen Holding A.Ş. had a shareholding interest of 57.30% and TST International S.A. 40.62%.

EFG Eurobank Ergasias S.A. (“Eurobank EFG”) and Tekfen Holding A.Ş. (“Tekfen Group”) signed an agreement on 8 May 2006, whereby Eurobank EFG would purchase Tekfen Group’s 70% stake in Tekfenbank and also Tekfen Leasing, which was fully owned by Tekfenbank, and whereby Tekfen Group would retain its strategic partnership by keeping all of the remaining shares. On 23 February 2007, the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. (“Eurobank EFG Holding”) was approved by the BRSA and the closing took place upon share transfer on 16 March 2007.

Based on the resolution adopted in the Extraordinary General Assembly Meeting convened on 25 December 2007, the name of the Bank was changed from Tekfenbank A.Ş. to Eurobank Tekfen A.Ş. (the Bank) and it was registered with the Turkish Trade Registry on 11 January 2008.

Under the agreement regarding the sale of Eurobank Ergasias S.A.’s Turkey operations to Burgan Bank K.P.S.C. (formerly Burgan Bank S.A.K.), 70% of the Bank’s shares held by Eurobank EFG Holding (Luxembourg) S.A. and 29.26% of the shares held by Tekfen Holding A.Ş. were purchased by Burgan Bank K.P.S.C. based on the BRSA permission dated 7 December 2012, and then 99.26% of the shares in the Bank were transferred to Burgan Bank K.P.S.C. on 21 December 2012.

At the Extraordinary General Assembly Meeting of the Bank convened on 23 January 2013, a resolution was adopted to change the name of the Bank from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş. (the Bank), which was registered with the Turkish Trade Registry on 25 January 2013.

Information on the Bank’s Shares (If Any) Held by the Chairman and Members of the Board of Directors, CEO and Executive Vice Presidents

Neither the chairman, members of the board of directors, the CEO nor the executive vice presidents have any shares in the Bank.

Chairman's Assessment of the Fiscal Year and Future Outlook



Dear Stakeholders,
While the world economy gained momentum with the effect of the recovery in developed markets in 2017, the national economy is estimated to have grown by 7%. In this timeframe, Burgan Bank once again successfully outgrew the sector's average.

Supportive policies

The policies to be adopted in the coming period by the central banks, the lead actors of the global economy, will shape the markets via a variety of channels including direct investments, portfolio investments and debt instruments.

During 2017, the global economy exhibited a widespread recovery and growth despite the volatilities caused by the political events around the world. Within this period, there has been a noteworthy acceleration in the growth performances of developed countries and particularly in that of the US and the Eurozone. On another front, emerging countries also displayed stronger growth rates and increased their contribution to global economic activity.

The US economy is estimated to have recorded 2.3% growth rate in 2017, and the momentum is projected to be maintained with 2.7% growth in 2018.

The Eurozone, on the other hand, registered the strongest performance of the recent years and grew by 2.5% in 2017.

While low interest rates continued to prevail on the monetary front, investment expenditures that increased globally, widespread improvement in consumer and real sector confidence, along with the growth in the worldwide trade volume and industrial production have been the other factors that contributed to global economic recovery.

Broad-based global growth attained is the result of accommodative policies pursued by the major central banks.

One of the key topics over the past 10 years, since the global financial crisis in 2008, has been the quantitative easing policies pursued by the major central banks including the Fed, ECB and BoJ. These policies were basically targeted at reviving the economic cycle by expanding the balance sheet of the respective central bank.

The policies to be adopted in the coming period by the central banks, which are the leading actors of the global economy, will shape the markets via a variety of channels including direct investments, portfolio investments and debt instruments. This is set to act as a determinant factor particularly for the growth performances of emerging countries that rely on external financing.

The Fed has been giving signals of turning away from accommodative monetary policies, even if it will be gradual. Having implemented three rate hikes during 2017, the Fed has announced that it will adhere to the same policy also in 2018 and thereafter, and that it would scale down its balance sheet gradually as a response to the developments in the US economy.

It is highly likely that the European Central Bank and the central banks of other major developed countries will opt for a similar policy in the year ahead. Turning away from quantitative easing measures at a given term will be important with respect to the performances of emerging economies, among which Turkey belongs, and might bear a relative impact upon the borrowing parameters of the private sector and the banking industry in international markets.

In our opinion, central banks in most of the developed countries will keep taking steps to normalize monetary policy in 2018. Notwithstanding, it is anticipated that interest rates will remain low throughout the year, in which case investors will show continued interest in emerging economies.

The Turkish economy registered a record headline growth in 2017.

In 2017, the Turkish economy recorded a strong growth, driven by the incentives to stimulate economic activity. The budget deficit expanded parallel to the increased public sector support to the economy, yet the ratio of the budget deficit to national income remained low, thanks to higher economic growth.

Once the economy settles into a stable growth path, withdrawal of the above-mentioned measures and commitment to fiscal discipline in the medium-long term will be important for sustainable development.

While the cost of 2017 growth is visible on the inflation front, there was a controlled widening in the current deficit and fiscal policy.

The sustainability of growth will likely be the main theme of the coming year. Ensuring continuity of healthy and balanced growth will bear importance for improving the labor market conditions and securing increased welfare, as well.

Chairman's Assessment of the Fiscal Year and Future Outlook

While public sector support and primarily the Credit Guarantee Fund (in Turkish: KGF) played a big part in the 2017 growth performance, we believe that such implementations will be more restricted in 2018.

According to common belief and projections, the growth performance of the Turkish economy in 2018 will be close to that of 2017.

The most crucial defeat in 2017 came in the fight against inflation.

Having stayed at double-digits since the start of the year, the CPI hit its highest in November, and closed the year at 11.92% with the effect of increased food and energy prices. Hence, the inflation closed the year in a double-digit value for the first time since 2011.

We believe that our individual actions and our stance as a community played a big part in failing to curb inflation, barring the success of the CBRT's stance as well as the fiscal policy and the attitude pursued by the authority regarding the inflation. Unless we manage to reproduce the verbal fight against inflation in our individual actions, this topic will remain as a hard-set economic phenomenon, will continue to occupy us, to influence our welfare level, and to relatively overshadow the macroeconomic gains we secure.

Our economic performance will be positively affected to the extent we internalize and manage the cross-border events based on the right approaches.

Located on the crossing route of the historical Silk Road and possessing key importance, our country has recently been directly experiencing the implications of the events in the Middle East and rightly reacts in order to ensure border security.

Although terrorist acts, civil war and political disturbances are kept beyond the national border thanks to careful and painstaking toil, the effects of the developments find their way into our lives through various outlets of the economic cycle. Adopting a rational perspective that observes international balances to manage the hardships Turkey will face by reason of the initiatives she wishes to undertake for ensuring Turkey's border security and under her international rights is vital with respect to the economic performance in the period ahead.

Another topic that must be addressed within this framework is the need to stabilize the relations with the EU on a healthy platform. Membership to the Union aside, our country is in a logistically perfectly situated geography, neighboring Europe. This setting presents great potential particularly for our export sectors, and management of the relations on the back of accurate strategies is crucial with respect to the contribution to be secured for the national economy and to the development of our business world.

We believe that in an atmosphere dominated by common sense, our business people and particularly our exporters will derive increasing benefits from the positive economic panorama that will arise in the Eurozone, and cooperation might thus be upgraded to new levels.

Burgan Bank crowned its journey to sustainable growth with a new achievement.

Targeting to constantly introduce the best practices, innovations and value adding services in the financial services sector to its stakeholders to become the best service provider in its class in Turkey, Burgan Bank performed successfully during 2017.

Our Bank attained 22.5% growth in 2017 when the Turkish banking system grew by 19%, thus outperforming the sector average once again.

In brief, our Bank kept undertaking duties in the construction of the financial futures of its customers and producing value for the Turkish economy as much as for its stakeholders by offering expert financial and investment solutions within the scope of service relationships built on trust and integrity.

The performance we achieved is by no means coincidental, but is the result of our shareholder Burgan Bank Group's determined and systematic capital support in recent years, coupled with the strategic execution of our management and employee teams.

Also our subsidiaries that have contributed to our process of improving shareholder and stakeholder value ended 2017 with healthy growth and sustainable results. Our subsidiary Burgan Leasing wrote yet another success story and exceeded the budget targets for total business volume, leasing receivables and net profit, and secured itself a place among the top 10 leasing service providers in the sector. Burgan Securities, another subsidiary of our Bank, placed greater emphasis on risk management in 2017 than ever before, and delivered capital markets services based on quality and objective data to its clients during the reporting period.

22.5 %
growth

Our Bank attained 22.5% growth in 2017 when the Turkish banking system grew by 19%, thus outperforming the sector average once again.

We are getting set for a future where digitalization will become even more important.

Digitalization opens a new track in the banking business, as it does in all other sectors. The current technology that enables delivery of products and services without any time and place constraints prepares the banking business for a new stage. Classic banking products, many of which have reached today after more than a century-long development processes, evolve at a head-spinning speed, and are being transported to the screens of digital and mobile devices as attractive options set in simple and secure formats with customized touches.

This process entails significant motivations also for the players in the banking sector. While shifting to more productive business models with a smaller number of branches emerges as one of the most attractive opportunities, competition increases rapidly in the digital world.

Burgan Bank is in the process of fulfilling the requirements of the digital era and competition in the business lines in which it offers services. The digital banking group we set up began implementing the innovations that are fitting for our scale, and first and foremost, that are capable of responding to our customer-oriented concept. In this context, we will keep moving forward resolutely taking the right steps, and carry on with innovations that will consolidate the value proposition we offer to our clients under the Burgan brandname.

We have strong faith in the Turkish market and our future focus is accurately defined.

Our shareholder Burgan Bank Group thoroughly confirmed its strong faith in the Turkish market and its investment also in 2017.

The Group's powerful and decisive stance in relation to its investment went beyond words and took on the form of capital contribution, while valuable steps continued to be taken within the frame of our synergic cooperation.

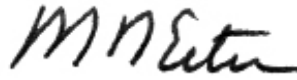
The formalities for injecting an additional capital of USD 75 million for the purpose of strengthening our shareholders' equity have been completed. This new tranche of contribution by our shareholder will support the portfolio expansion we will realize in 2018.

While the Burgan Bank Group's fifth year in the Turkish markets comes to a close, our shareholder is content with the experience it has gained, as well as with the Group-wide synergy.

We are committed to sustain our profitable growth on the back of new projects and initiatives in 2018. Our high-quality balance sheet composition will remain as an indispensable building block for us also in 2018, while we will keep managing the leverage that our shareholders' equity provides to us with an accurate and risk-free approach. Our goal in 2018 is to achieve a healthy growth above the sector's average.

I am happy to say that our professional management team in particular and the entire Burgan Bank family in general exhibited great commitment and team spirit to produce a performance that transcended our targets. I am fully confident that the same close-knit team will charge ahead with new achievements under the guidance of our Shareholder and Board of Directors.

On behalf of the Board of Directors and myself, I would like to thank all our stakeholders, and primarily our clients and employees.



Mehmet N. Erten
Chairman of the Board

General Manager's Assessment of the Fiscal Year and Future Outlook



Amid the volatile market circumstances of 2017, Burgan Bank maintained its healthy growth, and realized important investments targeted towards its future growth initiatives.



81.4%
share

In 2017, Burgan Bank successfully grew its lending volume above the sector's average. At the end of the year, the share of cash loans extended within the balance sheet was 81.4% on a consolidated basis.

In a year of growth for the global economy...

In 2017, while the growth levels across the developed and emerging economies have pointed out to embarking upon a new phase, political agenda items in different regions around the world affected the markets in patches.

As the monetary policy normalization steps taken by the world's major central banks have become evident in 2017, capital flows to emerging countries continued at an increasing speed with the support of low interest rates.

While Turkey dealt with the issues in her hinterland in 2017, the incentives implemented by the authority have played a part in achieving the growth, and a remarkable performance was thus authored. Unemployment, the double-digit inflation figure, and the rise in current deficit, on the other hand, have taken the foreground as issues carried forward and urge for solutions.

The budget deficit that remained even below the Maastricht criteria, the activity that started in investments from the third quarter of the year, accelerated positive tendency in tourism and exports, and most importantly, the powerful reflex Turkey has acquired in view of global crises and shocks appear as encouraging factors.

To this backdrop, the national banking sector preserved its robust stance backed by its strong assets and shareholders' equity, and lent major contribution to our positive outlook for the future.

... Burgan Bank has converged to the optimal scale and registered a healthy growth performance.

Having set its main target as outgrowing the sector at the onset of 2017, our Bank reached this point by the end of the year. In the process, Burgan Bank authored strong results both operationally and financially.

As a result of the accurate and resolute execution of our profitable growth strategy targeted at expanding our scale in all aspects and balancing our cost base optimally, Burgan Bank's total assets grew by 22.5%, loans by 24.1% and deposits by 7.4%.

In 2017, our total assets rose to TL 18.8 billion based on our consolidated financial statements and to TL 16.8 billion based on our unconsolidated financial statements.

During the reporting period, our Bank successfully expanded its total lending above the sector average. As at year-end, the share of cash loans extended to clients was 78.9% on a stand-alone basis, and 81.4% on a consolidated basis.

While new customer acquisition by our Bank continued in all business lines and mainly in corporate and commercial banking segments, in which we pursue operations assertively, our transaction volumes also sustained their stable growth.

As we approach the targeted point in cost management...

By mid-2017, Burgan Bank approached the size that we targeted and that will support our healthy development to a substantial extent, and our income reached a rational correlation within our expenses. We recognize that we have some distance to cover in this sense, and at the final analysis, we are targeting to position our Bank somewhere close to the sector's average in terms of our cost to income ratio.

General Manager's Assessment of the Fiscal Year and Future Outlook

...our second main goal was set as growing healthily and profitably.

Burgan Bank regards its financial health as the key foothold of maintaining a market presence as a permanent player and of constantly improving brand and shareholder value.

While we expanded our credit and deposit base in 2017, we also achieved an optimal variety in the assets and liabilities composition of our balance sheet.

We have also successfully balanced our NPL ratio at a reasonable point that is also better than the sector's, which is one of our primary goals in establishing a healthy financial structure, and additionally, we further increased our operational profitability. Based on our unconsolidated financial statements, the nonperforming loans of Burgan Bank accounted for 2.6% of its total cash loans as at year-end. This ratio is below the average of the banking sector and also of our peers, and is a result of our correct loans portfolio management.

As we secured an increase in our income that was higher than that in our expenses, the rise in our costs base was lower than the inflation and devaluation, whereas the improvement in our income was much higher. At year-end, as a result of improved net interest income and the rise in non-interest income, our operational income was up by 18.4% in consolidated financial statements, and by 19.6% in stand-alone financial statements.

At the end of the year, we, as the whole team, were joyed by the success we attained in increasing our profit, which we had set as the main goal of our healthy growth strategy. According to year-end 2017 data, Burgan Bank's net profit for the period shot up by 53.3% to reach TL 109.8 million.

As our loan portfolio keeps expanding...

Burgan Bank uninterruptedly carried on with proactive customer acquisition activities in corporate and commercial banking segments in 2017, and kept expanding its loan portfolio. Burgan Bank allocated TL 14.8 billion in total to its clients through cash and noncash loans during 2017. In the process, our corporate and commercial lending volume went up 36% to TL 12.7 billion.

Through the loans we have extended on a broad range without discriminating on the basis of sectors, we solidified our support to the Turkish economy and the real sector, in other words to development, employment, production and exports.

The placements we have made within the scope of the Credit Guarantee Fund (KGF) made another area of lending we were active in during 2017. Introduced by the government in order to revive the real economy, KGF has been one of the key mechanisms that backed credit expansion for Burgan Bank as well, as it has been for the entire sector, and our Bank focused on optimum allocation of the KGF credit lines to its clients.

... Burgan Bank efficiently makes use of non-deposit resources for funding.

During 2017, unconsolidated deposit volume of Burgan Bank increased by 7.6%. In line with our strategic preferences, we balanced our deposits composition in alignment with our low concentration - high number of customers equation throughout the year, and kept turning towards non-deposit funding sources, further enriching the resource diversity of our balance sheet.

Our high credit rating, which is a reflection of our strong shareholder, accurate business model and healthy financial structure have provided us with a valuable leverage in our international funding activities in 2017.

Our syndicated loan was renewed with a 37% increase, and the total amount of funds secured from international markets was close to USD 650 million in 2017. Our relationship with overseas agencies such as the EBRD and the IFC was diversified with thematic new agreements.

In 2018, Burgan Bank will keep pursuing a balanced funding strategy and tapping non-deposit funds.

Digital

Our Mobile Banking App went live in October 2017 and the total number of users reached 10% of Internet Banking users in as short a period of time as three months.

We know that the future lies in the digital.

We intend to make use of digital banking to deliver services to our target audience and primarily to our retail customers in a much more efficient, faster and low-cost manner. Our efforts in this vein continue resolutely.

Having taken important steps in its digital banking organization in 2017, Burgan Bank set its digital banking strategy, and began realizing its infrastructure and superstructure investments targeted at delivering its products, services and solutions to its clients over digital channels at an increasing ratio rather than from branches. Our first initiative in this area, the Mobile Banking application went live in October 2017, and the total number of users reached 10% of the Internet Banking users in as short a period of time as three months.

Our goal is to define customer needs based on analytical techniques, offer segment-specific banking solutions through the most efficient use of technology, and realize our digital transformation.

Burgan Bank has espoused it as a strategic goal to transport various banking products and services to the digital channel, and to position them under a new digital banking brand.

Investing in people is our constant top priority at Burgan Bank.

We owe our well-deserved prestige built under the Burgan Bank brand name and our market position to our employees who nurture close bonds with Burgan Bank.

While the corporate culture project introduced at Burgan Bank in 2017 produced major gains, training activities focused on improving the professional competencies of the human resource in all aspects continued uninterruptedly.

One of our main goals at Burgan Bank is to maximize the satisfaction of our clients, our shareholder, our team and all parties that maintain a business relationship with us. We believe that the key to achieving this goal is, once again, our team. So long as our employees are satisfied with being a member of Burgan Bank, the satisfaction level of our stakeholders will also increase and the total value produced will be reinforced.

Based on this reality, we consider it a crucial and indispensable goal to build on the total value we offer to our human resource and we prioritize developing our team as we focus on the future.

As for the future...

Global markets that have displayed fluctuations for nearly 10 years have entered a recovery period.

We continue to hold a positive outlook for the future.

Our willingness to maintain our successful performance that we take pride in and that motivate us as a team, is further consolidated by the powerful support of our shareholder, Burgan Bank Group.

In our bid to achieve stronger results, we are encouraged by our ability to act with agility, our position in the sector and the complementary nature of our subsidiaries, primarily Burgan Leasing, with respect to the value we offer to our clients.

No matter what the circumstances may be, Burgan Bank will keep developing and growing, while we continue to allocate all sorts of secured funds to employment, exports and sectors producing added value in 2018.

On behalf of our Management Team and myself, I would like to thank our colleagues who are the architects of our performance with their committed efforts, to our clients for their trust in and loyalty to the Burgan brand, and all other stakeholders.



Murat Dinç
General Manager

An Overview of 2017

Having set its main goal for 2017 as outgrowing the sector, Burgan Bank reached its goal as at the end of the year and signed its name under strong operational and financial results.

Highlights...

- Burgan Bank's stand-alone asset volume grew by 22.5% YoY to TL 16,807,309 thousand by the end of 2017 while the consolidated figure increased by 24.3% to TL 18,754,698 thousand.
- The Bank's net stand-alone cash loans grew by 24.1% YoY to TL 13,262,537 thousand while the consolidated figure increased by 26.7% YoY. The Bank's credit balance amounted to TL 15,258,622 thousand.
- The Bank achieved a rate of growth that outdid the sector's average rate for loans. As of year-end 2017, the share of cash loans in the balance sheet reached 81.4% on a consolidated basis.
- Burgan Bank manages its credit risk with a careful and prudent approach. In 2017, the Bank preserved the robust collateral structure in parallel to the growth secured in loans. According to the Bank's unconsolidated financial statements, non-performing loans accounted for 2.6% of total cash loans at the end of 2017, which was below the sector's and peers' averages.
- The share of the securities portfolio to total assets remained low at TL 424,026 thousand on a stand-alone basis and at TL 444,426 thousand on the basis of consolidated financial statements.
- Burgan Bank continued to improve its deposit volume in 2017. The Bank's deposits increased by 7.4% YoY to TL 8,928,115 thousand on a stand-alone basis and by 7.6% YoY to TL 8,872,471 thousand on a consolidated basis. Deposits accounted for 53.1% and 47.3% of the balance sheet according to stand-alone and consolidated financial statements, respectively.
- The Bank's equity base remained strong in 2017, supporting the growth. The Bank increased its capital by TL 285 million in 2017. The capital adequacy ratio as at year-end stood at 19.60% on a stand-alone basis and 17.32% on a consolidated basis.
- Operating income increased by 18.4% on a consolidated and 19.6% at a bank-only level in 2017 thanks to improved net interest income and a healthy increase in non-interest income as well as continuing growth.
- In 2017, operating expenses were kept under control despite the adverse effects of inflation and devaluation, supporting Burgan Bank's sustainable profitability and growth.
- Burgan Bank booked a net profit of TL 109,848 thousand as at year-end 2017.
- The Bank ended 2017 with a total of 978 employees and a physical service network of 43 branches.

26.7 %

Rise in consolidated cash loans
in 2017

47.3 %

Share of deposits within
consolidated balance sheet

TL 109.8
million

Net profit for the period

25 %
increase

Growth in Corporate Banking
cash loans

Strong contribution to the growth of the Turkish economy

Burgan Bank Loans Group quickly evaluates loan demands of customers in corporate and commercial segments, and produces solutions in close cooperation with the branches. Burgan Bank made placements worth TL 14.8 billion in total for the economy through cash and non-cash loans.

Thanks to its speedy and dynamic business concept, Burgan Bank's cash loans volume surpassed the sector's average and went up by 24.1% to reach TL 12.7 billion in 2017.

Introduced with support from the public authority, the Credit Guarantee Fund (in Turkish: KGF) has served as one of the key mechanisms that supported credit growth in 2017. Throughout the year, care was taken to make sure that customers made maximum use of the KGF facilities, and KGF limits allocated to Burgan Bank were utilized efficiently.

Burgan Bank adhered to the principles of prudence and caution in lending processes also in 2017, and ended the year with NPL ratios that remained below the sector's average.

DEVELOPMENTS AND ACHIEVEMENTS BY BUSINESS LINES

CORPORATE BANKING

Cash loans in corporate banking business line grew by 25% to reach TL 4.1 billion.

Burgan Bank continues to offer high value added products, services and solutions to its corporate customers with its expanding experienced team.

The Bank provides its corporate clients with solutions that require market experience and expertise, such as long- term loans, syndicated loans and project finance, and deepens customer relations on the back of constantly enhanced service quality. During 2017, cash loans the Bank extended to corporate customers went up by 25% to TL 4.1 billion.

During the reporting period, Burgan Bank kept expanding its operations in the MENA region, propped the collaborations in the region and gave the forefront to group synergy. The Bank introduced new products in foreign trade and cash management based on market developments and need analyses.

While the Corporate Banking business line secured significant customer acquisition, it also enhanced the loyalty of its customers in the portfolio through cross-selling of its products.

An Overview of 2017

COMMERCIAL BANKING

Following the successful restructuring of Commercial Banking, the Bank began managing the risk profile based on a much more efficient and productive approach.

Burgan Bank's Commercial Banking units were restructured in 2015. The new organization of the Department increased the organization's functionality, and the performance picked up from 2016 in parallel with the simplified structure.

The Commercial Banking business line kept managing its risk profile under closer watch, adopting an efficient and productive approach, and completed the year with a successful performance.

The goal of being one of the main banks of customers

Burgan Bank's goal in the Commercial Banking segment is to be one of the main banks of customers that share the notion of growing together with them by receiving a large share of their financial transactions and to establish long-term customer relations that bring about mutual gain.

The activities carried out in the Commercial Banking business line are targeted at the entire service cycle between the Bank and the customers. The Bank's sales teams lay the foundations of the relationship with the customers through medium- and long-term loans, while ensuring practicability and advantage in the day-to-day businesses of the companies through cash management products, thereby correctly establishing the layers of the relationship.

The loans extended by Burgan Bank to commercial customers have been designed with an eye on the customers' projects, sectoral/seasonal characteristics and/or cash flow cycles.

To complement that vision, Burgan Bank Commercial Banking outgrew the sector in 2017, while maintaining utmost emphasis on risk management and strong collateralization, thereby contributing to the development of Turkish economy.

Commercial Banking solutions backed with the right product range and solid international network

Burgan Bank Commercial Banking offers a broad product range that will cater to the needs of its customers, as well as an extensive correspondent network that will enable easy execution of international transactions.

The Group's presence particularly in the MENA region and the in-depth market knowledge coupled with its sound service network make up the other components that back the goal of being the customers' main bank.

A priority target for Burgan Bank is supporting its customers' competitive strength, and as such, offering new opportunities to them. In brief, the Bank aims to develop multi-dimensional and mutual relations with customers.

Customer loyalty backed by medium- and long-term lending

In 2017, Burgan Bank targeted to increase the share of medium- and long-term loans, which allows the customers to concentrate on their businesses, relieved from the daily liquidity problems. Within this context, the Bank focused on providing the longest maturities possible on the loans, which are structured in line with the companies' projected cash flows.

During the reporting period, Burgan Bank increased the cash loans disbursed in the Commercial Banking segment by 21%. While the expansion in medium- and long-term cash loans closed in on 35%, the share of such loans within total commercial cash loans came to 73%. The Commercial Banking segment was responsible for 64% of total cash loans extended by Burgan Bank.

CASH MANAGEMENT DEPARTMENT

Effective collection and payment solutions that cater to customers' demands

Burgan Bank Cash Management Department utilizes the means of information technology to deliver collection and payment services with methods that satisfy its customers' needs and demands.

In 2017, Burgan Bank expanded its product range in the Cash Management business line and kept developing customer-focused, innovative services and products.

The Bank launched the customs duty payment via texting for use by its customers in 2017. In addition, custom-specific system integration was undertaken which enabled 24/7 online payment of special consumption taxes.

During the reporting period, significant steps were taken to increase Burgan Bank's share in cross-selling of products.



**21 %
growth**

Burgan Bank increased the cash loans extended in the Commercial Banking segment by 21% during 2017. Retail Banking segment got 64% share out of Burgan Bank's total cash loans.

BANCASSURANCE PRODUCT AND SALES MANAGEMENT DEPARTMENT

Cooperation with the sector-leading business partners

Burgan Bank offers comprehensive insurance services to its customers on the back of business partnerships with the leaders in the respective sectors in non-life branch, as well as in life and pension branches.

Multi-agency network and broker-like business manner produced a 2.2-fold expansion in the total premium production of Burgan Bank in 2017, along with a 3.2-fold rise in total insurance income.

The drivers behind the successful performance of the business line included awareness raised in relation to product diversity and portfolio in the life insurance branch that paralleled the increase in retail loans disbursed by Burgan Bank, and identification and close follow-up of all potential customers and their insurance needs in the non-life segment.

In 2018, Burgan Bank aims to reach all of its customers in an effort to expand its insurance portfolio and increase the income generated by the business line.

FOREIGN TRADE SALES DEPARTMENT

During the reporting period, Burgan Bank continued to act as the solution partner for its customers in foreign trade, strongly backed by its broad product range, robust capital and balance sheet.

In 2017, Burgan Bank started to mediate the CBRT's (Central Bank of the Republic of Turkey) export rediscount credits. In addition to rediscount credit, our Bank developed electronic transfer forms with the Ministry of Customs and has been one of the pioneering banks in the sector.

The Bank continued to identify customer needs via Branch and Head Office teams and offer alternative solution methods to its customers in 2017.

Thanks to the speed of operational transactions and the specialized staff, Burgan Bank has been a favorite business partner for its customers in foreign trade.

RETAIL BANKING

Burgan Bank Retail Banking sustained its healthy growth during 2017.

Burgan Bank continued to implement its profitable and rapid growth strategy in retail banking in 2017, and captured an increasing momentum in the business line that helped the Bank further build on its business volumes.

Introducing non-branch sales channels

The Retail Banking Department has acted with a mission of quickly and effectively meeting all of the financial needs of customers in the Retail Banking and Private Banking segments at the right time, through the right channel in 2017.

Serving customers with its experienced and expert sales staff, Burgan Bank offered its products and services to customers out of 30 branches, 12 of which are retail branches, located in Turkey's major cities, and through the non-branch sales channels.

According to year-end 2017 data, total deposits of the Retail Banking business line rose to TL 5.7 billion, translating into a growth ratio of 16%, which is above the sector's average.

Vigorous growth in retail banking deposits

The share of Retail Banking deposits within the Bank's total deposits reached 64% in 2017.

Continuing to prioritize campaigns and applications aimed at new customer acquisition, the introduction of new and attractive deposit products, including three-currency deposits and Managing Accounts, along with the rapid growth in deposit-secured derivative products contributed strongly to the increased volume of deposits held by Retail and Private Banking customers.

Retail loans volume surged by 122% during 2017.

During 2017, Burgan Bank's retail loans volume boosted by 122% YoY and reached TL 577 million, with strong contribution lent by non-branch sales channels including the PTT, Digital Banking, Direct Sales and Consumer Finance in addition to the branch network.

Key drivers behind this growth included differentiated loan prices depending on the customers' scores assigned by the Credit Bureau of Turkey in parallel with the target of risk-based pricing, increased number of the application alternatives for the Loan that Appreciates Your Value that rewards customers who are repaying debtors, and credit campaigns specifically designed according to the needs of public and professional vocation groups, as well as the effect of the rapidly-developing new non-branch sales channels.

An Overview of 2017

**59 %
increase**
Private Banking segment
reached TL 2.7 billion.

Private Banking carried on with its successful activities during 2017.

Burgan Bank's Private Banking carries on with high-quality service delivery with its specialized and experienced Portfolio Managers, offering custom-designed credit products, as well as deposit and investment products that are fitting for the demands and risk perceptions of private banking customers.

Offering services out of six locations, the Private Banking segment increased its total portfolio size from TL 1.7 billion to TL 2.7 billion in the twelve months to end-2017, up by 59%.

While the number of Private Banking customers grew by 100%, the number of active customers serviced in 2017 reached 48,000, and total banking volume rose from TL 5.1 billion to TL 6.2 billion.

Following the restructuring, Private Banking had 49% share out of total deposits, whereas the business line commands a 54% share in the Treasury profitability.

The number of Private Banking Portfolios went up from 19 in 2016 to 23 in 2017.

Private Banking offers its customers a rich product and service range.

The main solutions Burgan Bank offers in the private banking business line include deposit products (Three-Currency Deposit, Managing Account, Dynamic Deposit, Fund Deposit, Regular Deposit, Accumulating Account), loan products (Cash-Covered Loan, Welcome Loan, Loan that Appreciates your Value, Professional Loan, Public Sector Loan, Pilot Loan, Prestigious Loan, Loan Transfer Credit, Colleague Loan, individual finance loan, car loan, housing loan), all investment products (Eurobonds, derivatives, mutual funds, deposit products, bonds/bills, Burgan Securities), and insurance products (Cancer Insurance, International Education Insurance, personal accident insurance, travel health insurance, DASK (compulsory earthquake insurance), housing insurance, motor TPL insurance, motor own-damage insurance, complementary health insurance, household furniture insurance, PPS).

On another front, Burgan Bank International Business Development Department extends support to local retail and commercial customers seeking to make investments abroad or to non-residents wishing to make investments in Turkey, as well as to foreign customers residing abroad by providing the coordination between the Bank's departments and subsidiaries in all processes related to the provision and sales of all sorts of banking products and services.

ALTERNATIVE SALES CHANNELS

Operating under Burgan Bank's Retail Banking Group, Alternative Sales Channels delivers services to customers via an experienced team of 32 individuals working in the field and at the Head Office. Burgan Bank carries out its activities in the area of alternative sales channels with a customer-focused approach.

Burgan Bank's non-branch sales channels are improving and contributing to customer satisfaction.

In 2017, Burgan Bank kept improving its non-branch sales channels in line with its main goal of rapidly fulfilling the cash needs of its retail customers.

Burgan Bank Alternative Sales Channels carries out retail loan disbursements via dealers, direct sales teams and the PTT channel.

During 2017, the Bank carried out projects aimed at upgrading the infrastructure of Alternative Sales Channels, enhancing service quality, and consolidating the value proposition offered to customers.

Responding to customers' financing needs at the point of purchase is the top priority in dealer loans. To this end, the Bank attached importance to deepening the existing relations with dealers and to new dealer acquisition activities during the reporting period.

Burgan Bank intensively uses technology to help the Alternative Sales Channels Direct Sales Team respond to customer needs in the most efficient manner. Accordingly, the Sales Team is capable of selling loans using tablet PCs; this and similar IT applications greatly increase the efficiency of product and service delivery, while also contributing to their diversity.

At Burgan Bank, Direct Sales lending volume more than tripled on a year-to-year basis in 2017 and reached TL 78 million.

More than
three-fold
growth

Burgan Bank's Direct Sales credit volume grew by more than three folds YoY in 2017 and reached TL 78 million.

Rapid growth in the dealer channel

Credit extension activities that Burgan Bank carries out through the dealer network are conducted by a field team of 4 people. The team handles dealer training and coordination along the dealer/customer/Bank cycle, in addition to new dealer acquisition efforts.

Burgan Bank dealer channel's lending volume enlarged by more than eight folds on an annual basis and reached TL 43 million in 2017.

In an effort to increase the efficiency and speed of dealer channel loans, Burgan Bank continues with the work on a new technological infrastructure project. Targeting full regulatory compliance at each phase, this new infrastructure module is slated for completion in 2018.

Extensive service via the PTT network of 1,300 branches

Under the cooperation agreement with the PTT, Burgan Bank began reaching its customers and disbursing loans via 1,300 PTT branches all over Turkey in July 2017.

The Bank displayed a successful performance in terms of the loans extended via the PTT channel and reached a volume of TL 144 million in 2017.

Burgan Bank's PTT Field Team of 7 people also handles the coordination along the PTT/customers/Bank cycle.

In 2018, Alternative Sales Channels will be the engine of the growth that Burgan Bank is targeting to achieve in retail loans.

In 2018, Alternative Sales Channels is set to drive Burgan Bank's retail loan expansion.

The projects along this line will continue intensively, and the Bank intends to increase the number of dealers and the members of the direct sales team in 2018.

DIGITAL BANKING

Digital transformation target

Set up in 2017, the Digital Banking Unit aims to realize digital transformation with the purpose of defining customer needs using analytical techniques, and delivering segment-specific banking solutions through effective use of technology.

A product range that diversifies and evolves

In 2017, Digital Banking reviewed the digital infrastructure of Burgan Bank and reformulated work and service processes in line with the Bank's digital banking strategy. The Unit first addressed consumer loans as part of its product development plans, and developed a new digital and free of charge loan type for customers wishing to take out a loan from the Digital Banking channel without visiting the branch. The loan product was introduced on the digital channel in April 2017, performed successfully during the year, and accounted for 16% of the number of all general-purpose loans.

The goal of Burgan Bank is to transport various banking products and services to the digital channel, and to become a comprehensive digital bank. In line with this target, Digital Banking has planned to focus on digital deposit and insurance products first.

The Digital Banking infrastructure has been designed to ensure easy integration of Burgan Bank with its business partners. Burgan Bank is focused on creating new channels embedded in the areas and platforms that will deliver the banking services to the Internet users, they need in collaboration with its business partners.

Another goal of the Bank in this department is to position its digital products and services under a new digital banking brand to be created. When devising its new brand, Burgan Bank has internalized the strategic goal of making it quick, easy-to-use, free of charge, accessible 24/7, transparent and honest.

Omni-channel Project

Within the scope of its Omni-channel Project that it has initiated by end-2017 and launched the first phase, Burgan Bank renewed the Customer Communication Center infrastructure which also covers chatbot and automated switchboard services, in addition to voice calls.

These initiatives vested Burgan Bank's Customer Communication Center in a capacity and capability to fully respond to customer demands that have increased by nearly 10 folds as compared with 2016.

An Overview of 2017

Burgan Bank's goal with this project is to increase service diversity in 2018, establish holistic customer experience and ensure 360 degrees customer communication by integrating social networks, e-mail, texting and all other similar digital channels in addition to telephone, Internet and mobile channels.

The new digital channel of Burgan Bank: Mobile Banking App

In October 2017, Burgan Bank launched its Mobile Banking App, the essential component of digital banking, on Android and IOS platforms. Total number of Mobile Banking App users reached 10% of Internet Banking users in only three months.

In 2018, the Bank will increase the number of products and services accessed via the App and transform the Mobile Banking App into a channel whereby customers are able to execute all the transactions they need.

Burgan Bank keeps improving its Internet banking that makes up one of its basic service channels by focusing on customer friendliness. The number of Burgan Bank's Internet Banking users grew by 37% in 2017.

With the digital brand that will be launched in 2018, it is intended to further improve user experience and Internet Banking Branch in the light of the expectations of digital banking customers.

Digital Banking positions all its products and services to address its broad customer base, and continue to acquire individuals seeking focused and quick solutions who prefer to receive digital service instead of classic banking notion for its digital customers portfolio.

**37 %
rise**

Increase in the
number of Burgan
Bank Internet Banking
users

TREASURY AND CAPITAL MARKETS

Despite massive portfolio inflows to emerging markets, repercussions of political developments hindered any potential appreciation of TL denominated assets.

Risk-off perception for emerging markets at the aftermath of the US presidential election in November 2016 was reversed in 2017.

Although global economic growth gained pace, inflation rates remained below targets and the delay in the US tax reform propped up the expectation of a gradual normalization of the US Federal Reserve's (Fed) monetary policy. While portfolio inflows to emerging markets reached record levels, the US dollar (USD) lost value in global markets.

The Central Bank of the Republic Turkey (CBRT) responded to the inflation outlook that deteriorated after the devaluation of the Turkish Lira (TRY) by the end of 2016 by tightening its monetary policy.

While CBRT increased its overnight lending rate by 75 bps to 9.25% in January 2017, it gradually raised the Late Liquidity Window (LLW) rate by 225 bps to 12.25% over the first four months of the year.

Having depreciated further against USD to the point of 3.94 exchange rate in January, TRY strengthened to 3.40 in September on the back of a tighter monetary policy, improved perception towards emerging markets and USD weakness.

However, due to political developments and continued deterioration in inflation outlook, TRY weakened to the point of 3.98 against USD in November, ending the year around 3.80 levels.

In December, the CBRT increased the LLW rate further by another 50 bps to 12.75%. During 2017, the weighted average funding rate went up by 450 bps. The compound interest rate on 2-year Treasury bond went up to as high as 14.30% during the reporting period, and ended 2017 at 13.40%, up by 280 bps. On the other hand, the compound interest rate on 10-year Treasury bond, went up to 13% before declining to 11.70%, showing a limited rise compared to 2016.

Strong liquidity

Burgan Bank's Treasury and Capital Markets Group kept contributing to the Bank's profitable growth and carefully preserving the strong liquidity balance.

During 2017 in which global interest rates moved higher and political and financial risk premiums specific to Turkey increased, Burgan Bank's Treasury and Capital Markets Group kept contributing to the Bank's profitable growth.

Loan growth above the sector's average

In 2017, total credit growth of the overall Turkish banking sector was 21% and total deposit expansion was 17%.

In the same timeframe, Burgan Bank's lending expanded by a solid 24.1% and deposits increased by 7%. The funding difference was covered by syndications, long-term borrowings and foreign trade funding facilities. This facilitated the extension of average maturity and enabled to keep costs under control.

While preserving the Bank's robust liquidity, Asset&Liability Management and Capital Markets Department was able to support swift credit expansion in parallel with the sector, thanks in particular to the boosted Credit Guarantee Fund. All business lines were supported with respect to customer deposits, which is the main funding source of loan portfolio in return deposit concentration have been reduced, and the number of active customers was increased.

Balance sheet growth was realized through the loan portfolio, due to the anticipation that the cost of funding TL denominated securities would be negative throughout the year.

Treasury Sales Department catering to the needs of our customers in all business lines

The implications of global and local political events of 2016 continued to affect the financial markets throughout 2017. Sharp fluctuations that particularly gripped exchange and interest rates presented a challenge in the customers' decision-making processes.

In this uncertain environment, Burgan Bank Treasury Sales team has offered solutions to commercial and corporate customers to hedge financial risks and kept responding to non-deposit investment products demand of retail customers thanks to its customer-focused approach.

The CBRT's initiatives aimed at companies with FC debts from the onset of 2017 and its inception of TRY-settled forward foreign exchange transactions in November 2017 can be regarded as an indication of the fact that managing the exchange rate risk of businesses will be in the focus of financial markets also in 2018.

Potential changes in interest rates, commodity prices and particularly in exchange rates will add to the vitality of professional market monitoring, rapid and correct pricing and utilization of the right product at the right time for all customers. Along these lines, Burgan Bank Treasury Sales Department will continue to stand by the branches and the Bank's customers with its expanded team.

The expectation for reduced global liquidity lives on.

In 2018, it is anticipated that normalization steps to be taken by the central banks of developed countries will gain pace and the funding costs of emerging countries will rise. While it is expected that global markets will not experience a black swan period again in 2018, with respect to Turkey, continuation of the State of Emergency coupled with the probability of a snap election elevate the risk of sharp fluctuations in interest rates and exchange rates.

Under these circumstances, Burgan Bank's primary goal for 2018 will be to access the necessary funding resources at low cost and preserve its solid liquidity and capital structure by managing the risks arising in its balance sheet composition, without compromising profitability.

Burgan Bank Treasury and Capital Markets Group will continue to help the Bank's customers in managing their risks that stem from the developments in financial markets optimally, and to respond to their needs timely and accurately in 2018, too.

An Overview of 2017

**59 %
increase**

Expansion in total
funds secured from
correspondents in 2017

FINANCIAL INSTITUTIONS

A Bank boasting deep-rooted and solid international relations

Burgan Bank, a representative of a long tradition of international relations, continued to build on mutually cooperative relationships with financial institutions in 2017. During the reporting period, the Bank further fortified its relations with correspondent banks and financial institutions, and attained significant improvements in its transaction volumes.

Burgan Bank attained 59% increase in total resources provided from correspondent banks in 2017. Focusing on the optimal use of foreign financing resources, Burgan Bank strengthened its presence in international markets in the reporting period with a strong capital base.

In 2017, Burgan Bank secured a total of USD 642 million in funds from international markets.

Growth was secured also in one-to-one funding facilities signed with correspondent banks, and total resources secured in this department amounted to USD 135 million in 2017.

Burgan Bank signed new cooperation agreements with IFC and EBRD.

Continuing to further its relationships with supranational institutions, Burgan Bank signed a second agreement for USD 75 million with the IFC, in addition to the long-term loan secured in 2016.

The Bank allocated the said amount to foreign trade finance. Under an agreement with a similar theme signed with the EBRD in 2017, the Bank secured funds in the amount of USD 25 million.

Successfully renewed syndicated loan

In 2017, Burgan Bank tapped syndication markets for the third time, and renewed its syndication by increasing the loan amount by 37%.

The new loan agreement signed for a total amount of USD 205 million consists of two tranches, one for USD 117 million and the other for EUR 75 million, both with maturities of 367 days.

A total of 14 banks from 8 countries participated in the syndicated loan. The facility, which is renewed each year for a higher amount than in the previous year, served as an important indicator of the reputation and confidence that Burgan Bank earned in international markets.

Burgan Bank continued to be rated by FITCH Ratings in 2017.

FITCH Ratings kept Burgan Bank's ratings unchanged in view of the Bank's successful performance and staunch shareholder support.

Burgan Bank's foreign currency rating was announced as BBB-, indicating investment grade, and its local rating was also BBB-, the highest rating that can be awarded to a bank.

Burgan Bank will maintain its existing strategies and continue to improve its efficiency and profitability-oriented international relationships in 2018.

OPERATIONS

The Operation Group takes on important, critical and strategic duties in the implementation of Burgan Bank's profitable and sustainable growth strategy.

Burgan Bank's Operation and Management Services Group has a workforce of 237 employees, 98 of which are located in the head office and 139 in the branches.

The Group carried out its activities in the following areas in synergy with the Bank's other business lines also in 2017:

- Branch Operations,
- Central Operations,
- Construction & Real Estate,
- Fund Management and Securities Operations,
- Security,
- Administrative Affairs.

Burgan Bank's Operation and Management Services Group has made it a principle to give its internal and external customers an unmatched customer experience by offering fast, high-quality and error-free services.

An international award for operational success

Awarded the Commerzbank 2016 STP Award for quality straight through processing both in commercial payments and fund management payments, Burgan Bank Operations Team received a certificate of achievement from Deutsche Bank in 2017 for its error-free and high-quality payments.

A team of
237 people

Borgan Bank's Operation and Management Services Group renders services with a team of 237 individuals in total.

Product Sales from Branch Counters

The necessary operational infrastructure support was given for cross-product sales at Borgan Bank's branch counters, thus contributing to the achievement of the Bank's targets.

Service quality and efficiency were enhanced in operational processes through various projects implemented.

Displaying a successful performance in securing organizational compliance in new product and service delivery processes thanks to its agile structure, the Operation and Management Services Group made the internal arrangements in conformity with the strategies of the newly set up Digital Banking Group and Alternative Sales Channels Department, and extended full support by offering uninterrupted service.

Operation Group support services...

In 2017,

- the Construction and Real Estate Department successfully completed a number of Borgan Bank branches and made the necessary preparations for focused projects in progress at the Head Office building.
- The Administrative Affairs Department developed business processes that will bring about productivity in fleet management and correspondence transactions.
- The Security Department was reorganized and the company providing the security service under support services was changed.

Borgan Bank's Operation and Management Services Group will focus on carrying on with its efficient work and implement projects that contribute to the Bank's ability to rapidly reach its goals in 2018.

STRATEGIC PLANNING AND CORPORATE COMMUNICATION

Multi-dimensional contribution to increase in efficiency : Strategic Planning and Project Management;

Various projects and improvement efforts have been completed in 2017 regarding existing processes, as well as new products and channels.

The Department is responsible for:

- Reporting innovations and trends in the national and international sector to the Bank's senior management,
- Presenting suggestions that will improve Borgan Bank's competitive strength,
- Working to improve customer experience, creating customer-focused processes to fulfill customer expectations, developing interdepartmental service level agreements for these processes, making end-to-end process performance measurements and determining continuous improvement actions,
- Managing projects in relation to topics to be notified by the top management in line with the Bank's strategic targets, to new products, services and channels to be identified together with business lines, to measurement and reporting of critical business processes, and to process improvement,
- Performing centralized coordination of major projects carried out at the Bank.

Macroeconomic Research

Borgan Bank's Macroeconomic Research Department provides macroeconomic analyses and forecasts, and prepares the macroeconomic data, reports and presentations needed by decision-makers in the Bank.

Periodic reports provide a regular flow of information to the Bank's management and branches.

An Overview of 2017

Effective Cost Management: Procurement Department

Burgan Bank Procurement Department ensures that the procurement processes of the Bank and its subsidiaries realized at optimum terms and costs.

The Department also provides regular information to the senior management and other relevant business units regarding the Bank's costs in comparison with the budget.

Contribution to brand perception and value: Corporate Communication Department

The Corporate Communication Department is in charge of planning, managing and implementing activities aimed at securing increased brand recognition in line with Burgan Bank's mission, vision and strategies by utilizing all marketing and communication functions including corporate communication, advertising, media relations, sponsorship, social responsibility, and internal and external organizations.

Highlights of the activities conducted by the Corporate Communication Department in 2017 are summarized below. Customer meetings were organized at Burgan Bank Head Office and branches in an effort to strengthen customer satisfaction and employee-customer relations.

In-branch promotional visuals have been renewed in line with the new communication concept.

Playing a key role in building on corporate culture and strengthening internal communication, Burgan Life magazine continued to be published with four new issues.

With the aim of contributing to brand recognition and of increasing employees' involvement in social life activities, the Bank sustained its sailing sponsorship in 2017. New members joined the sailing team that has authored numerous achievements.

Social Life activities carried out during the reporting period served to continued and even increased synergy between employees, and the Bank participated in a number of internal and external tournaments.

INTERNAL AUDIT DEPARTMENT

Audit activities carried out with an independent, risk-focused, integrated approach

The Internal Audit Department, through the executive vice president responsible for Internal Systems, reports to the Audit Committee, which is at the Board of Directors level.

The Internal Audit Department consists of the Branch Audit, Head Office Audit and Information Systems Audit teams.

The Internal Audit Department aims to improve the effectiveness and adequacy of risk management and internal control system, preserve assets and ensure efficient use of resources, and to guarantee that the Bank reaches its strategic goals and purposes. To this end, the Internal Audit Department reviews all of Burgan Bank's activities within the frame of international audit standards, based on an independent and risk-focused integrated approach to auditing.

Within this scope, the audit of the branches, affiliates, head office departments and processes, along with the support services providers were completed in line with the 2017 annual audit plan. The Bank's Senior Management, primarily the Audit Committee and the Board of Directors, were periodically informed of the audit activities and their results.

Proactive support was provided to strengthen risk management and internal control systems with respect to new product and service developments, in addition to major infrastructure, transformation and Group integration projects that the Bank carried out in 2017 within the scope of advisory activities.

A structure fully compatible with International Standards for Internal Auditing

According to International Standards for Internal Auditing, the activities of the Internal Audit Department must undergo QAR (Quality Assurance Review) by an independent expert every five years.

In this context, as a result of the Quality Assurance and Improvement Programs conducted by Deloitte Touche Tomatsu Limited and Protiviti Risk and Business Consulting in 2014 and in 2016, respectively, both independent consulting firms declared the opinion that the activities of the Internal Audit Department as well as its position within the organization and its processes were in line with the International Standards for Internal Auditing.

In 2017, in line with the standards, the Internal Audit Department continued to encourage its auditors to get International Certified Internal Auditor (CIA) and other professional certifications awarded by the International Institute of Internal Auditors and other related professional organizations. As at year-end 2017, 56% of the auditors serving on the Internal Audit Department held at least one of CIA, CISA, CFE, CRMA or similar certifications.

25 periodic controls

During 2017, 25 onsite branch controls and periodic control activities on the main banking processes at the Head Office were carried out at Burgan Bank.

Constantly improved audit methodology

The Internal Audit Department kept reviewing and updating its audit methodology, program and reporting standards in line with the revised legislation and best international practices in 2017.

Aiming to make maximum use of technology for effective audit, the Internal Audit Department continued to invest in computer assisted audit techniques and data mining.

During the reporting period, steps were taken to ensure the coordination of audits conducted by legal authorities such as the BRSA and CBK (Central Bank of Kuwait) and external audits carried out by the independent audit firm.

Activities carried out at the Bank's subsidiaries

The Internal Audit Department of Burgan Bank conducts audits at Burgan Leasing, Burgan Securities and Burgan Wealth Limited that are included in the audit universe based on the outcomes of risk assessment.

In addition, the Internal Audit Department supervises the subsidiaries' own internal audit functions and provides the necessary technical and advisory support.

In 2017, the Internal Audit Department conducted a pre-launch compliance audit at Burgan Wealth Limited established in Dubai as a wholly-owned subsidiary of Burgan Bank.

Anti-fraud activities

During 2017, the Internal Audit Department performed examinations and investigations in addition to its scheduled audits.

Communication channels are in place that facilitate the reporting of abuses, irregularities and fraud directly to the Internal Audit Department (a dedicated phone line for leaving messages 24/7 and an email account).

During 2017, the Internal Audit Department continued to give regular training about preventing abuse and fraud to Burgan Bank staff with a special emphasis on branch personnel.

INTERNAL CONTROL DEPARTMENT

Burgan Bank's Internal Control Department services the Bank and its subsidiaries.

The mission of Burgan Bank's Internal Control Department (ICD) is to coordinate the relevant business units in order to establish an effective and adequate internal control system, design internal control activities concerning relevant banking operations, contribute to the improvement of the internal control system and carry out independent secondary control activities covering the basic risks in the organization.

In 2017, the (ICD) performed periodical and spot central and on-site (at branches and Head Office units) control activities on a sampling basis with a risk based approach.

In line with the Annual Control Plan, on-site control activities were conducted at 25 branches as well as periodic controls on the main banking processes at the Head Office during 2017.

The Department also undertook special process reviews and spot controls on new and quickly developing products, channels and operations such as Retail Banking – Consumer Finance, Credit Guarantee Fund (KGF) Backed Loans, Digital Banking and on potential risks that may stem therefrom.

Based on the outcomes of its above mentioned activities during the year, the ICD carried out root cause analyses of frequently recurring findings, offered suggestions to the management of the related business units in an effort to fortify the control environment and permanently resolve the relevant problems. ICD also followed up on the required action plans.

Necessary work was carried out in relation to testing first level controls of the relevant main banking and CoBIT (Information Technology) processes within the scope of Management Declaration study. The ICD additionally performed ICAAP validation study in 2017.

The ICD participated in the Business Continuity and Disaster Recovery tests which are regularly conducted every year. The ICD also coordinates the internal control activities at Burgan Bank's consolidated subsidiaries.

Technological investments boosting efficiency

Investments continued to be made in necessary technology aimed at increasing the effectiveness of the control activities conducted by the ICD. Also the development of control scenarios on the Oracle-BI platform that is used as data analysis and reporting software has been ongoing.

An Overview of 2017

Self-Control Declaration Form (SCDF)

In 2017, the ICD carried on with the SCDF practice, which is aimed at monitoring and evaluating first level control activities performed by relevant Head Office and Branch employees. Accordingly, business units and branches responsible for first level controls submit monthly SCDF's to the ICD in relation to the key (basic and critical) controls they perform and their outcomes.

The declaration of the controls are regularly analyzed for strengthening the Bank's internal control environment and increasing its operational efficiency. Also, declaration forms are periodically tested and controlled in order to secure effective running of first level controls.

Transition to the new structuring is finalized.

Targeted at improving and developing of ICD's own processes, internal control systems of branches and processes at Burgan Bank, the ICD Process and Branch Coordinator implementation was introduced in 2017. Coordinator controllers were assigned for each branches and processes in order to continuous onsite and centralized supervision to the branches and processes via second level controls under the new implementation. The purpose of this new approach is to ensure a more focused and closer monitoring of the processes and the internal control environment at branches.

Consultancy and Training Activities

Within the frame of its consultancy activities, the ICD kept supporting the relevant Banking Projects that were launched during 2017 (CMB Investment Account Statements, Managing Account, Three-Currency Deposit, CMB, SEGEM (Insurance Training Center) and PPS licensing, etc.) in an effort to upgrade the new product/service and associated processes to improve the effectiveness of operational efficiency, risk management and internal control system.

Besides Bank-wide training programs on "Anti Fraud and Forgery" provided primarily to branch employees, the ICD, in coordination with the AML Compliance Unit, continued to provide seminars on "Anti Money Laundering, Know Your Customer and Combating the Financing of Terrorism" to branch employees during branch visits.

The ICD continued to encourage its employees to get local and international professional certifications awarded by;

- International Institute of Internal Auditors,
- Capital Market Licensing Registry and Training Services (SPL) and other professional organizations.

COMPLIANCE DEPARTMENT

The Compliance Department intensely continued with its activities in 2017.

During 2017, the Compliance Department carried on with its activities; in tandem, also the Regulatory Compliance Unit and the AML Compliance Unit conducted various other activities.

The Regulatory Compliance Unit:

- Constituted working groups for major regulatory changes and monitored the Bank's compliance in this respect,
- Published regulatory amendments in periodic bulletins distributed across the Bank,
- Prepared memos on important regulations that were distributed to related business lines,
- Monitored the Bank's compliance risk using Governance Risk and Compliance (GRC) module.

The AML Compliance Unit:

- Finalized the system integration of the Customer Admission Mechanism (in Turkish: MKM);
- Completed Customer Review activities, under which high-risk customers were re-evaluated;
- Carried out customer classification on the basis of risk groups determined according to certain criteria such as occupation, activity and the relevant sector the customers are engaged in to ensure systematic monitoring;
- Completed the systematic developments related to the know-your-customer process under the CRS (Common Reporting Standard) requirement to which the Burgan Bank Group and our country are parties, and added CRS declaration forms to the Banking Services Agreement,
- Made systematic developments to ensure that the list of sanctioned people is checked prior to the customer admission stage;
- Conducted new scenario work in relation to the Monitoring Tool (SIRON AML);
- Completed the training activities regarding the Anti-Money Laundering and Combating the Financing of Terrorism;
- Introduced the AFCP (Anti Financial Crime Program) led by Burgan Bank Kuwait, the first meeting of which took place in Turkey.

IFRS9 project

In 2017, work was carried out to implement the IFRS9 project; within this context, Credit Risk and Modeling Unit completed the validations of the existing internal rating systems.

RISK MANAGEMENT

The Risk Management Group continued to work on ensuring compliance with national and international legislation and risk management best practices in 2017.

Implementation of the Internal Capital Adequacy Assessment Process (ICAAP) at the Bank and preparation of the ICAAP report have been coordinated.

During 2017, work was carried out to implement the IFRS9 project in particular, in addition to periodic internal and regulatory reports and analyses on the credit risk side; within this context, Credit Risk and Modeling Unit completed the validations of existing internal rating systems.

Under the IFRS9 project realized at the Group level, calibrations of probability of default (PD) models were completed and the ultimate model for expected loss calculations was established.

Impact analyses were performed to determine the changes that will occur in the provision figures for the Bank's credit portfolio upon transition to IFRS9 and the results were shared with the senior management.

INFORMATION TECHNOLOGY

Burgan Bank uninterruptedly carries on with IT activities.

In 2017, the Bank introduced the following projects:

- Digital banking,
- Customer acquisition from retail banking alternative products,
- IT infrastructure systems development,
- Compliance with the banking legislation.

For these projects, focus was placed on synchronized management of the activities and on increasing efficiency by ensuring effective IT resource utilization.

IT investments that sharpen the competitive edge

Besides new developments in digital banking, Burgan Bank introduced web, mobile, direct sales and dealer channels as well. Efforts are ongoing for reaching more customers and delivering faster service via the new channels.

The completed investments are of a nature to give Burgan Bank technological edge in a number of areas, and they have upgraded the IT infrastructure systems above the current level of the banking criteria.

Highlights of the major projects in 2017...

Three-Currency Deposit Account Project

Launched in 2017, the Three-Currency Deposit Account is a deposit product with interest accrual on a daily basis, which allows transition to different currencies at any time during the set period without any loss from interest.

Managing Account Project

Managing Account gives customers the opportunity to invest their savings in a time deposit account, which also allows execution of all banking transactions during the day as if a demand deposit. Managing Account is the first two-way account product offered by Burgan Bank.

Accumulating Account Project

Facilitating regular saving up of Burgan Bank customers, the Accumulating Account deposit product was introduced during 2017. This new product added to the diversity of deposit products offered to the Bank's customers.

Retail Banking Mobile Authorization Project (Branches)

The infrastructure went live, which allows Burgan Bank Head Office officials and branch managers to authorize a transaction from outside the Bank using their mobile devices. This implementation helped branch teams allocate more time to their customers, and increased the efficiency of customer visits.

ATM Replacement Project

In a bid to offer better service to Burgan Bank customers;

ATMs installed at the Head Office and branches were replaced with new generation devices during 2017;

New ATMs with cash depositing capability facilitated offering a broader range of products and services to customers.

Integrated Security Project

Projects were conducted to consolidate the infrastructure with the target of protecting Burgan Bank's information systems against external attacks and increasing the security level.

The projects carried out supported service delivery by the Bank's IT infrastructure that surpasses international standards.

An Overview of 2017



A priority project that the Bank will keep working on in 2018

ALM (Asset-Liability Management) Project

Under the project that was brought to completion in 2017, credit accounts, deposit accounts held with Burgan Bank, and specific trial balances can now be automatically forwarded to the Treasury's Basic Banking System via the Business Intelligence System.

Customer Information Messages

In line with its target of minimizing the missing fundamental documents of its customers, Burgan Bank introduced the Customer Information Messaging Project in 2017. The module that went live informs the customers about missing documents, if any, via text (SMS) or email depending on the customer's choice, upon completion of banking transactions.

Jet Loan - Web and Digital Channels for Loan Disbursement

The project allows Burgan Bank customers to apply for a loan online through digital channels, to consummate their loan utilization via the same channels if approved, and lets the loan amount be deposited in the account instantly.

New Customer Acquisition

The new customer acquisition infrastructure has been introduced, which refers businesses and portfolios in the status of potential customers. The project created smart customer information acquisition infrastructure using various algorithms based on business intelligence applications.

Real Estate Appraisal and Valuation Reporting System

Under the application developed, real estates owned by Burgan Bank customers can now be appraised; the infrastructure for controlling, monitoring and reporting for appraisal firms has been introduced.

The application allows real estate appraisal to be performed in a healthier manner, while minimizing the risk factor by ensuring significant saving from labor and time.

Ministry of Finance Banking B-Trans (Information Transfer System) Reports

Regulatory format modification for banking reports imposed by the T.R. Ministry of Finance Revenue Administration has been completed, as a result of which Burgan Bank has taken place among banks smoothly reporting to the Revenue Administration.

Cheques Law Requirements – Mersis (Central Registration System)

Under the Draft Law Amending Certain Laws for Improving the Investment Environment that was ratified at the Parliament's Committee on Planning and Budget, system infrastructure was readied for the revisions regarding transactions against cheques.

Know-Your-Customer Infrastructure Integration

The Bank automated the know-your-customer (KYC) application since the customer lists notified by MASAK (Financial Crimes Investigation Board) are not defined on the banking system.

Export Credits

Improvements were made to the screens used for entering and following up commitments pertaining to export and Exim credits, and for calculating commitment gaps.

Instant Customs Duty Payment Project

Customs duty payment, the collection of which Burgan Bank intermediates via its internet and branch infrastructure, can now be made also with an SMS to be sent from the GSM numbers of customers.

IFRS9 Compliance Project

IFRS9, the international financial reporting system IT infrastructure, was put into use in accordance with the Kuwaiti and Turkish legislation. In parallel, the Uniform Chart of Accounts was revised and launched on 1 January 2018.

Retail Loans IT Infrastructure Development Project

Retail Banking loans infrastructure has been restructured with a focus on risks and products. The IT applications developed and the collection, loan decision trees, monitoring, and anti-fraud products introduced served to enhance the service quality of retail banking.

Corporate Loans IT Infrastructure Development Project

Corporate Banking loans infrastructure has been restructured with a focus on risks, monitoring and products. The IT applications developed and the early monitoring, know-your-firm and intelligence products served to enhance the service quality of corporate and commercial banking.

In 2018...

Burgan Bank will carry on with its efforts to deliver uninterrupted, high quality service to its customers with new products, advanced technology infrastructure and channels in 2018.

As part of the activities aimed at sustaining Burgan Bank's market presence based on a proactive approach, priority will be given to process improvement (BPM) and application programming interface (API) projects that will also allow service delivery while maintaining continuity, security and brand reputation.

In 2018, Burgan Bank will also continue to improve its sales channels through projects that will strengthen its alternative sales channels.

The Bank intends to increase efficiency in all processes by investing in smart-robotic infrastructures that will automatize IT operations. Digital banking program is another project that will be carried on in 2018. Burgan Bank will put into life the digital and retail banking infrastructure upgrade program in order to support its loan sales performed via retail banking channels.

**263 new
employees**

In 2017, a total of 263 new employees joined the Burgan Bank family including the subsidiaries.

HUMAN RESOURCES

Maximizing the value for all stakeholders comprised of customers, employees and shareholders lies at the heart of Burgan Bank's vision, mission and goals. The most important element in reaching the goal of generating value for Burgan Bank's stakeholders is the Bank's sound corporate culture that has been developed with the know-how and experience built up over many years.

The key components of this culture can be summed up as follows:

- An understanding that prioritizes fulfillment of customer needs and expectations above all else and that makes a difference,
- A fast, effective and target-oriented business conduct,
- A fair and transparent business relationship based on trust and integrity,
- A modern working atmosphere that fully respects human dignity.

Burgan Bank's corporate culture shapes its human resources practices.

Burgan Bank's corporate culture is embraced as the focal and reference point for talent acquisition, performance management, career and talent management, compensation and benefits management, labor relations, training and development management, which make up the basic functions of Human Resources.

Management trainee programs are carried out to consolidate corporate culture and to train and develop the future management team of Burgan Bank.

Competent new university graduates are trained and recruited under the programs mentioned above.

In 2017, a total of 263 employees joined the Burgan Bank family, including the subsidiaries.

Human Resources Policy and the elements of being a preferred work place

Burgan Bank aims to be an organization that employees are proud to be a part of, to be a preferred workplace, and to be a business which is prominent in all areas, sets itself goals, and shares its success with its employees. Accordingly, a study was conducted within the Bank and its subsidiaries during 2016, which identified "Employee Values: Being Us, Dynamism and Achievement Winning", and under which preliminary studies were performed.

In an effort to instill these values more deeply, internal projects involving our employees were carried out and rewarding programs were initiated during 2017. To reinforce the Employer Brand and to pave the way for becoming an attractive workplace, the Employer Branding Project has been initiated. The action plans of the Employer Branding Project have been developed in line with feedback collected from all stakeholders will continue in 2018.

Burgan Bank's human resources profile:

- The average age of employees at Burgan Bank is 37.
- Employees have an average of 11 years' experience in the sector.
- 55% of the employees are women.
- 90% of employees hold an undergraduate or higher degree.

Training and development activities at Burgan Bank are carried out as in-class and online trainings.

They are classified as;

- Banking Technical Know How and Skills
- Management and personal development,
- Mandatory certifications, and
- Orientation and on the job training programs.

Other programs implemented at Burgan Bank in 2017:

- "Emotional Leadership" training for branch managers and department heads
- "Meet the Experience – Mentoring" and "Executive MBA" Programs for high-potential employees
- "Presentation Techniques" training for the senior management.

More employees benefited from the Corporate Coaching Program. 5 corporate coaches have supported our employees voluntarily.

A total of 38,287 hours of training were provided, with each employee receiving an average of 5 days' of training at Burgan Bank in 2017. 54% of the training hours were conducted by the internal trainers.

These numbers suggest that Burgan Bank employees are young but experienced, very well educated and trained and have a balanced profile in terms of male and female population. Besides providing quality support to all of the Bank's departments at global standards, the Human Resources, Training and Organization Group also acts as Burgan Bank's strategic business partner.

Burgan Finansal Kiralama A.Ş. (Burgan Leasing)

Continued healthy and rapid growth...

In 2017, Burgan Leasing has maintained its tradition of outpacing the sector's growth with total assets worth TL 2.2 billion, up by 44%, and capitalized leasing receivables amounting to TL 2.0 billion, up by 51%. With these results, the Company preserved its profitability and booked a net profit of TL 34.6 million at the end of 2017.

Burgan Leasing kept growing in 2017 against a backdrop of peaked political and economic uncertainty and volatility, while at the same time successfully maintaining its asset quality and strictly implementing its strong credit allocation policy. The Company successfully leased the right assets to the right companies in the right sectors.

Burgan Leasing displayed a proactive approach in the legal follow-up process and maintained its relations with problematic customers at maximum efficiency, and kept the ratio of its NPL portfolio to total assets at 2.3%, way below the sector's average.

The target product of 2017: renewable energy investments

Focused on renewable energy investments that are identified as the target product of 2017, the Company finalized its preparations for operational leasing in the reporting period and made a fast entry into the market with the goal of expanding its operational leasing portfolio.

An analysis of the Company's financial leasing receivables portfolio on the basis of commodity groups reveals that real estate gets the highest share with 52%. Burgan Leasing remains one of the

pioneering companies in the sector with the experience and know-how it enjoys in the real estate sector.

Burgan Leasing plans to focus on renewable energy and vendor transactions in 2018. In terms of the sectors, the Company will stand by companies investing in the real sector with a special emphasis on manufacturing and textiles. Burgan Leasing also intends to give increasing weight to customers heavily engaged in export activities.

New products by Burgan Leasing

Burgan Leasing's strategy is to penetrate the market by positioning itself in specific areas that call for extensive know-how and expertise, and to grow within the frame of this strategy while also adding new products to its portfolio. Under this approach, the company funded the renewable energy and operational leasing transactions in 2017. Burgan Leasing also intermediated a number of sale and lease back transactions in the reporting period.

One of the main goals Burgan Bank set for 2018 is to further expand its customer base. To this end, the Company enlarged its countrywide sales team with experienced names in the sector, as well as with "young talents".

Backed by the strong support from its principal shareholder, competent human resource, and healthy financial structure, Burgan Leasing will keep growing rapidly and healthily in the financial leasing sector that presents a high growth potential in 2018.

(million TL)	2017	2016	%
Financial leasing receivables	1,972	1,310	50.6
Total assets	2,185	1,517	44.0
Net profit	34.6	23.3	48.4

44 %
growth

Burgan Leasing's total assets reached TL 2.2 billion in 2017.

renewable
energy
investments

Burgan Leasing plans to focus on renewable energy and vendor transactions in 2018.

Burgan Yatırım Menkul Değerler A.Ş. (Burgan Securities)

Power stemming from technology and shareholders' equity in the capital markets

Taking place among Turkey's customer- and service-oriented companies, Burgan Securities serves all investor profiles -domestic, foreign, individual and institutional- in the capital markets in the areas of:

- brokerage,
- corporate finance, and
- discretionary portfolio management.

Based on the Turkish Capital Markets Association's data released in September 2017, Burgan Securities ranks 16th and 11th in terms of the highest shareholders' equity and the highest paid-in capital, respectively, among 65 brokerage houses.

In 2017, Burgan Securities continued servicing its customers and all its stakeholders in line with an understanding giving priority to consistency and quality, based on a strategy that relies on technology and focuses on centralized sales organization.

As a full scope brokerage house, Burgan Securities holds authorizations and licenses to offer brokerage services, Discretionary Portfolio Management, Investment Advisory, Corporate Finance through Underwriting and Best Effort methods, and Limited Custody Services. Another highlight of 2017 was the merger of Burgan Asset Management and Burgan Securities in October.

Brokerage Services

In 2017, Burgan Securities continued to provide brokerage services through various channels in organized markets such as the Equity Market, the Derivatives Market, Debt Instruments and the Takasbank (Istanbul Clearing, Settlement and Custody Bank Inc.) Money Market. In 2018, the company aims to expand the scope of its brokerage services in domestic market by increasing the diversity of its product range and sales channels.

Corporate Finance

During 2017, Burgan Securities kept offering advisory services to its domestic and foreign clients. In addition, a roadshow in Dubai had been conducted in November, where contacts with potential buyers and sellers were made.

Burgan Wealth - Dubai

In June 2016, Burgan Securities established Burgan Wealth Limited Dubai.

Structured as a portfolio and wealth management company, the Dubai subsidiary operates under the DFSA 3A license in the Dubai International Finance Center (DIFC), a financial free zone.

Burgan Wealth plans to offer services in advisory portfolio management, arranging finance, discretionary portfolio management, investment advisory, custody intermediation, real estate brokering and advisory, wealth management and planning to its clients.

Information Related to Personnel and Branch Number, Evaluation of the Bank's Position in the Sector

With a total of 43 branches composed of 9 retail branches, one corporate branch and 33 mixed branches, along with the internet banking application, a call center and 978 personnel, Burgan Bank provides high value added banking products and services in corporate and commercial banking, small business banking, retail banking, private banking and factoring, as well as in leasing and investment banking through its subsidiaries.

The Bank's market shares in the sector in terms of key indicators are presented below.

TL million	31 December 2017		
	Burgan Bank	Sector*	The Bank's Share (%)
Cash Loans	12,714	2,121,328	0.60
Customer Deposits	8,773	1,801,509	0.49
Number of Branches	43	10,550	0.42
Number of Employees	978	193,504	0.51

* Source: BRSA (Banking Regulatory and Supervision Agency), BAT (The Banks Association of Turkey)

R&D Practices Related to New Services and Activities

Highlights of the new products introduced by Burgan Bank in 2017:

"Customs Duty Payment with SMS" is a new application that went live, which allows the Bank's customers to pay customs duty easily and rapidly. The new application enables customers to make their payments with a single text message to be sent from mobile phones 24/7, even in after-hours. The application helps our customers gain operational speed and increase the effectiveness of their workflows.

"Web service Integration for Special Consumption Tax Payments" enables online payment of special consumption tax 24/7, even in after-hours, thanks to customer-specific system integrations at the Bank.

CBRT FC-earning services and export rediscount loan is a foreign trade product against export commitment, which is extended by the CBRT based on our Bank's aval granted for bonds issued by our customers and which is intermediated by our Bank for a fee.

A product of the online system integration between our Bank and the Ministry of Customs, the Transfer Notification Form prepared electronically is our new foreign trade service that allows our exporter customers to custom clear their goods without a hard copy customs letter and just by providing a transfer ID no. Under the service, transfer ID numbers are also sent to our customers and their customs agents via email/SMS.

The operations carried out with Mapfre and Gulf Insurance, with which we have signed agency agreements, make up our new bancassurance service under which we are able to offer different solution suggestions and competitive prices for the insurance needs of our customers, in addition to the insurance companies we currently work with. Under this service, the products of these two insurance companies that are widely recognized in the market are extended via our Bank, thereby ensuring diversity in quotations provided to our customers.

Information on Benefits Provided to Top Management

The Top management of the Bank is composed of the Chairman of the Board, the General Manager, Senior Executive Vice President and Vice General Managers.

The sum of benefits paid to the top management in the current period totaled TL 17,411 thousand (31 December 2016: TL 17,239 thousand) which includes total gross salaries, travel, meal allowances, health insurance, life insurance, vehicle expenses and other expenses.

As of 31 December 2017, total benefit which was provided to top management, was provided to following groups as a salary package: TL 7,248 thousand to Board Members and the General Manager (1st Group), TL 7,454 thousand to Chief Financial Officer (CFO), Internal Systems Vice President (CIA) and Chief Risk Officer (CRO) and first 5 managers who receive the highest salary (2nd Group).

Information Concerning Legal Action Taken Against the Bank Which May Affect the Financial Status or Operations of the Bank and Their Possible Results

As of 31 December 2017, the total amount of legal action taken against the Bank stood at TL 57,174 thousand (31 December 2016: TL 44,938 thousand) and the Bank sets aside a provision of TL 6,936 thousand (31 December 2016: TL 6,835 thousand) regarding these risks. Due to the delayed reply to e-foreclosure submitted by the Gökpınar Tax Administration, negative declaratory action has been claimed at the "Denizli Tax Authority" and the "Denizli Civil Court of General Jurisdiction" for the cancellation of the payment order of TL 25,459 thousand, which was notified to the Bank. The transactions have been suspended with an injunction obtained in response to the 15% collateral. Trials at administrative courts were resulted in favor of the Bank and these trials are in appeal process. The verdict is expected to be in favor of the Bank. As a result, the Bank has not booked any provisions.

Explanations with Respect to Administrative or Legal Sanctions Imposed on the Bank, Members of the Board or Top Management in Connection with Acts or Procedures in Violation of the Codes

None.

Sum of Financial Benefits Provided Such As Daily Allowances, Salaries, Premiums, Bonuses or Dividends

The sum of the Bank's Personnel Expenses totaled TL 146,315 thousand as of 31 December 2017 (31 December 2016: TL 137,790 thousand), while the Bank set aside a provision of premium amounting to TL 18,791 thousand (31 December 2016: TL 14,487 thousand) to be paid to the Bank's personnel.



SECTION TWO

CORPORATE GOVERNANCE

PRACTICES

Names & Surnames, Terms of Office, Area of Responsibility, Academic Backgrounds and Professional Experience of the Chairman of the Board of Directors, Director and Members of the Audit Committee, General Manager and Vice Presidents, and Heads of the Units under Internal Systems

Name and Surname	Position	Date of Appointment to Office	Academic Background	Experience in Banking or Business Administration Prior to Appointment to Office (Years)
CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS:				
Mehmet Nazmi Erten	Chairman	29.01.2014	Bachelor's degree	29
Faisal M.A. Al Radwan	Vice Chairman	29.01.2014	Bachelor's degree	23
Eduardo Eguren Linsen	Member	20.12.2012	Bachelor's degree	25
Majed E.A.A. Al Ajeel	Member	20.12.2012	Master's degree	22
Adrian Alejandro Gostuski	Member	21.12.2012	Master's degree	35
Mehmet Alev Göçmez	Member	23.01.2013	Master's degree	33
Halil Cantekin	Member	30.03.2015	Bachelor's degree	31
Osama T. Al Ghoussein	Member	25.06.2014	Bachelor's degree	33
Ali Murat Dinç	Member and General Manager	03.02.2014	Master's degree	21
CHIEF EXECUTIVE OFFICER:				
Ali Murat Dinç	Member and General Manager	03.02.2014	Master's degree	21
EXECUTIVE VICE PRESIDENTS:				
Esra Aydın	Operations & Management Services	01.08.2007	Bachelor's degree	16
Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	08.08.2007	Master's degree	11
Hüseyin Cem Öge	Corporate Banking	22.08.2007	Master's degree	13
Cihan Vural	Internal Control and Audit	03.11.2008	Bachelor's degree	13
Rasim Levent Ergin	Human Resources	01.11.2012	Master's degree	17
Emine Pınar Kuriş	Retail Banking	10.12.2013	PhD	16
Suat Kerem Sözügözel	Commercial & SME Banking	01.04.2014	Bachelor's degree	17
Hasan Hüseyin Uyar	Credits	01.04.2014	Master's degree	27
Mehmet Yalçın	Chief Financial Officer	20.05.2016	Bachelor's degree	19

Changes in the Bank's top management during 2017 and until the reporting date:

Departures:

In the Board of Directors meeting held on 22 May 2017, it was decided to remove the "Executive Vice President" title for Tuba Onay Ergelen who has been serving as "Strategic Planning and Corporate Communication Group Head" and that she carry on in her position with the title "Group Head".

Robbert J. R. Voogt, who had been serving as the Operation, IT and Private Banking Senior Executive Vice President at the Bank, resigned from the said position on 12 June 2017.

Terms of Office and Professional Experience of Statutory Auditors

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) was elected as an external auditor in pursuant to decision made in our Bank's General Assembly which was held on 31 March 2017.

Activities of the Credit Committee and of the Committees Reporting to, or Set Up to Assist, the Board of Directors Under Risk Management Systems Pursuant to the Regulation on Banks' Internal Systems, and the Names, Surnames and Principal Duties of the Heads and Members Serving on These Committees

CREDIT COMMITTEE

The chairman of the Credit Committee is Mehmet N. Erten, the chairman of the Board of Directors. The Bank's CEO, Ali Murat Dinç and board members Faisal M.A. Al Radwan and Eduardo Eguren Linsen serve as members of the Committee. Mehmet Alev Göçmez and Adrian Alejandro Gostuski who are board members were elected as substitute member.

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Board Nomination and Remuneration Committee shall be responsible for presenting recommendations to the Board regarding nomination to the Board's membership, review of Board structure on an annual basis, undertake performance evaluation of the overall Board and the performance of each member on annual basis and developing Bank-wide reward policy in line with applicable laws and regulations. In addition, the Board Nomination and Remuneration Committee shall be responsible for appointment of the senior positions of the Executive Management, ensuring that these positions are occupied by qualified employees along with setting performance standards and succession plans. The Chairman of the Committee is Majed E.A.A. Al Ajeel, Eduardo Eguren Linsen and Mehmet Alev Göçmez serve as members of the Committee. In 2017, two meetings were held with the participation of all members.

INTERNAL SYSTEMS ORGANIZATIONAL FUNCTION GROUPS

AUDIT COMMITTEE

According to the Regulation on Banks' Internal Systems, Audit Committee, on behalf of Board of Directors, is responsible from establishing and monitoring sufficient and effective internal systems in the Bank and subsidiaries that are subject to consolidation.

Halil Cantekin is the Chairman of Audit Committee while Adrian Alejandro Gostuski and Osama T. Al Ghousein serve as the committee members. Risk Management and Internal Audit and Control Groups report to Audit Committee functionally.

A. RISK MANAGEMENT SYSTEM

The Risk Management System has been set up to regulate the definition, measurement, reporting and monitoring of the risks involved in all aspects of the banking activities, subject to the principles established jointly by the Bank's executive management and the Risk Management Group and approved by the Board of Directors. One of the main aims of Risk Management System is to establish a common risk management conception within the Bank.

The organizational components of the Risk Management System are the Risk Committee and the Risk Management Group.

1) RISK COMMITTEE

Risk committee is composed of Adrian Alejandro Gostuski, chairman of the committee and board member, Majed E.A.A. Al Ajeel and Osama T. Al Ghousein. Risk Management Group reports to Risk Committee functionally.

Primary roles of the Risk Committee are approval of Strategic Risk Management decisions (such as the Bank's risk appetite, capital allocation and risk management structure) and qualitative and quantitative monitoring of Market, Liquidity, Credit and Operational Risks; and auditing compliance with risk policies that are approved by the Board of Directors.

2) RISK MANAGEMENT GROUP

The Head of Risk Management Group is assigned with the coordination among the Credit Risk and Modelling Unit, Market Risk Unit and Operational Risk Unit and presentation of the results of their works to the Risk Committee.

a) Market Risk Unit

The objective of the Market Risk Unit is to monitor and analyze the market risks that the Bank and affiliates subject to consolidation are exposed to and to create and report risk policies and implementation procedures. The monitoring and the reporting of limits defined related to Treasury Risk Parameters and liquidity risk are among the unit's responsibilities. Limit on counterparty credit risk - risk monitoring, stress tests and scenario analysis are among the responsibilities of the unit. The Bank employs the standardized approach in the calculation of the Value at Risk (VaR) for the market risk for statutory reporting and additionally the Bank uses internal method based VaR for its management reporting and internal processes.

Interest-sensitivity and liquidity gap analysis of balance sheet items in order to track interest rate and liquidity risks are performed. Based on these efforts, maturity mismatches in relation to credits and deposits are monitored and reported.

b) Credit Risk and Modelling Unit

Credit Risk and Modelling Unit is responsible for monitoring, on a portfolio basis, the credit risk undertaken by the Bank as a result of its lending activities.

The Unit provides information flow to the executive management of the Bank in terms of the current position and performance direction of the loan portfolio through regular monitoring of all the stages of lending activities and by regular and frequent reporting of credit limits and risks on the basis of collaterals, sectors, geographical regions and internal rating scores. The Unit also makes proposals for the identification and improvement of hitches and vulnerabilities in the lending system, as and when necessary.

On the loan portfolio, scenario analysis, stress test and reverse stress tests are carried out and results are shared with senior management, Risk Committee, Audit Committee and Board of Directors.

Credit Risk and Modeling Unit is responsible for the monitoring, analysis and validation of the results of the automatic decision systems and the internal rating systems used to measure the credit risk /coordination of the process. Within this framework, models used in the calculation of provision figures are revised according to IFRS9 standards, and the compatibility of the results of these calculations and models is verified.

c) Operational Risk Unit

Operational Risk Unit is responsible from monitoring and analyzing the operational risks that the Bank and affiliates subject to consolidation are jointly exposed to and creating and reporting risk policies and implementation procedures.

Operational Risk Unit also coordinates updating and developing the Bank's Business Continuity Plan.

Meeting Frequencies of Committees:

As defined in the Bank's Risk Policies document, the Risk Committee meets at least four times a year and the Risk Coordination Committee meets biweekly. The Risk Coordination Committee is set up in order to determine joint actions for Internal Audit and Risk Management. Participants are Chairman of the Audit Committee, General Manager, Head of Risk Management Group, Executive Vice President Responsible for Internal Audit and Control, Head of Internal Audit, Head of Internal Control, Head of Compliance and Head of Credit and Market Risk. Unit Managers of the Credit Risk and Modelling, Market Risk and Operational Risk Units also attend these meetings.

B. INTERNAL SYSTEMS GROUP

Internal Systems Group consists of Internal Audit, Internal Control and Compliance Department. Heads of Internal Audit and Internal Control report to the executive vice president responsible for Internal Audit and Control who directly reports to the Audit Committee. Compliance officer of the Bank reports directly to the member of the Board of Directors and Head of Audit Committee. The Compliance Department operates directly linked to Executive Vice President of Internal Systems, who reports to the Audit Committee in administrative terms.

Activities of the Credit Committee and of the Committees Reporting to, or Set Up to Assist, the Board of Directors Under Risk Management Systems Pursuant to the Regulation on Banks' Internal Systems, and the Names, Surnames and Principal Duties of the Heads and Members Serving on These Committees

B.1. INTERNAL AUDIT

Internal Audit Department consists of branch audit, head office audit and information systems audit divisions.

Internal Audit activities conducted based on an independent, risk-focused and integrated approach

With this organizational structure, the Internal Audit Department reviews all of the Bank's operations within the frame of international auditing standards and based on an independent, integrated and risk-focused audit concept with the objectives of improving the effectiveness and adequacy of risk management and internal control system, ensuring operational efficiency, protection of assets and effective resource utilization, and assuring achievement of strategic goals and objectives by the Bank.

In this context, audit activities have been completed for branches, subsidiaries, Head Office departments and processes, as well as support services providers, in line with the 2017 annual audit plan, and the Bank's top management and primarily the Audit Committee and the Board of Directors have been regularly informed on the audit activities and results.

In addition to infrastructure, transformation and Group integration projects that the Bank carried out, proactive support was given for enhancing risk management and internal control system in developing new products and services within the scope of consultancy activity, in 2017.

A structure fully compliant with International Standards for Internal Auditing

2017 audit and consulting activities under the Quality Assurance & Improvement Program were conducted in line with the International Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing" as well as with the Bank's own code of ethics.

According to the International Standards for Internal Auditing, the activities of the Internal Audit Department must undergo a quality assurance review (QAR) conducted by an independent expert every five years. Hence, as a result of the Quality Assurance and Improvement Programs conducted by Deloitte Touche Tohmatsu Limited in 2014 and Protiviti Risk and Business Consulting in 2016, both independent consultancy firms gave the opinion that the activities of the Internal Audit Department, the Department's position within the organization and its processes are in compliance with the International Standards for Internal Auditing.

In line with the standards, the Internal Audit Department continued in 2017 to encourage its auditors to obtain international Certified Internal Auditor (CIA) and other professional certifications awarded by the International Institute of Internal Auditors and other related professional organizations. As at year-end 2017, 56% of the auditors serving in the Internal Audit Department held at least one of CIA, CISA, CFE, CRMA or similar certifications.

Constantly improved audit methodology

The Internal Audit Department kept reviewing and updating its audit methodology, program and reporting standards in line with the revised legislation and best international practices in 2017. Aiming to make maximum use of technology for effective audit, the Internal Audit Department continued to invest in computer assisted audit techniques and data mining. During the reporting period, steps were taken to ensure the coordination of audits conducted by legal authorities such as the BRSA and CBK (Central Bank of Kuwait) and external audits carried out by the independent audit firm.

Activities carried out at the Bank's subsidiaries

Burgan Bank's Internal Audit Department conducts audits at Burgan Leasing, Burgan Securities and Burgan Wealth Limited that are included in the audit universe based on the outcomes of risk assessment. In addition, the Internal Audit Department supervises the subsidiaries' own internal audit functions and provides the necessary technical and advisory support. In 2017, the Internal Audit Department conducted a pre-launch compliance audit at Burgan Wealth Limited recently established in Dubai as a wholly-owned subsidiary of Burgan Securities.

Anti-fraud activities

In addition to audit activities that were scheduled within the scope of audit plan, Internal Audit Department also carried out examination and investigation activities in 2017. Internal Audit Department has means of communication (a special telephone line which is available for leaving a message for 365 days 7/24 and an e-mail address) that will enable reporting of fraud, irregularity and corruption to the Internal Audit Department directly. Internal Audit Department continued to give "Anti-Fraud and Forgery Awareness" trainings to Bank staff mainly employees at branches.

B.2 INTERNAL CONTROL

The Internal Control Department reports its activities to the Audit Committee through the Assistant General Manager for Internal Systems. The Internal Control Department consists of the Branch Control Unit, the Headquarters Control Unit.

Internal Control Department aims protection of Bank's property and assets, assuring conduct of activities in compliance with all in-house developed policies and rules of the Bank, banking practices, the Banking Law and other related regulations, ensuring division of functional roles within the Bank, allocating responsibilities within the Bank, ensuring that accounting and financial reporting system, information system and intra-Bank communication channels operate in an effective manner and operates in line with these goals.

Internal Control Department's activities are carried on with a risk focused approach, in terms of main control points mainly on lending, deposit collection, accounting, financial/legal reporting, operation, information systems, treasury/derivatives and capital market transactions. Internal Control oversees the transactions in these and other fields on and off-site periodically in the context of predetermined schedules with respect to their conformity with regulatory legislation, the Bank's strategy and policies, implementation procedures, limits and internal regulations.

C. COMPLIANCE DEPARTMENT

Compliance officer of the Bank reports directly to the member of the Board of Directors and Head of Audit Committee. The Compliance Department operates directly linked to Executive Vice President of Internal Systems, who reports to the Audit Committee in administrative terms. The main activities of the Compliance Department are as follows;

- Following banking regulations, apart from tax regulations, announcing amendments and innovations to the Bank and providing advisory services to relevant departments and Branches related to the presentation of new and existing products and services, within the scope of regulations, ensuring that the Bank's implementations and operations are carried out in line with the regulations,
- Following, announcing and conducting necessary controls of legislation in combating laundering the proceeds of crime and financing of terrorism. While the Compliance Department continued its activities above mentioned in 2017,

The Regulatory Compliance Unit,

- Constituted working groups for major regulatory changes and monitored the Bank's compliance in this respect, published regulatory amendments in periodic bulletins distributed across the Bank, prepared memos on important regulations that were distributed to related business lines, monitored the Bank's compliance risk using Governance Risk and Compliance (GRC) module as well as reminding the related employees with respect to regulatory reporting and new regulations that will become effective.

The AML Compliance Unit:

- Finalized the system integration of the Customer Acceptance Mechanism (in Turkish: MKM);
- Completed Customer Review activities, under which high-risk customers were re-evaluated;
- Carried out customer classification on the basis of risk groups determined according to certain criteria such as occupation, activity and the relevant sector the customers are engaged in to ensure systematic monitoring;
- Completed the systematic developments related to the knowyour-customer process under the CRS (Common Reporting Standard) requirement to which the Burgan Bank Group and our country are parties, and added CRS declaration forms to the Banking Services Agreement,
- Systematic developments have been completed in order to check prior to the customer acquisition against sanction lists;
- Conducted new scenario work in relation to the Monitoring Tool (SIRON AML);
- Completed the training activities regarding the Anti-Money Laundering and Combating the Financing of Terrorism;
- Introduced the AFCP (Anti Financial Crime Program) led by Burgan Bank Kuwait, the first meeting of which took place in Turkey.

Board of Directors' Summary Report Presented to the General Assembly

Drawing the strength of the Burgan Bank Group, our Bank targeted stable growth in its activities in 2017. In this context, Burgan Bank pursued its banking activity in accord with the Turkish Commercial Code, tax legislation, the Banking Law, Banking Ethics, the "Know Your Customer" and Suspicious Transaction, provisions and the Competition Laws and Guidelines.

In formulating its risk policies, Burgan Bank aims to enhance the total benefit for its shareholders and customers, with keen consideration of risk-sensitive capital management principles and liquidity factors. Internal audit and risk management systems are being developed in line with the BRSA's guidelines.

In 2017, our Bank has focused its attention on customer-oriented activities with its new organization change and management approach through its 49 branches throughout Turkey and fully responded to the financial needs of its customers in the corporate, commercial, retail and private banking business lines by means of an effective pricing policy and a rich array of products. As well as its expanding balance sheet, the Bank also effected significant improvements, which will further strengthen its performance in the future in terms of product and service portfolio, the number of customers and the structure of service channels.

As of 31 December 2017 the Bank's total assets increased by 22.5% and reached TL 16,807,309 thousand.

Customers' deposits were up by 7.4% and amounted to TL 8,928,115 thousand. The share of savings deposits in the Bank's total deposits increased

As of 31 December 2017, 53.1% of the total liabilities consisted of deposits, 33.1% consisted of funds borrowed and money market borrowings and 9% consisted of shareholders' equity.

As far as assets are concerned, total cash loans had reached TL 13,262,537 thousand as of December 31st, 2017, signifying a YoY rise by 24.1% which is above the sector's average.

The total amount of the Bank's non-performing loans accounted for 2.6% of its cash loan portfolio which is below the sector's rate. The Bank set aside 52.7% provision for non-performing loans.

Total securities stood at TL 424,026 thousand. As a result, 78.9% of our assets consisted of loans, with securities accounting for 2.5% and cash, CBTR and short term placements comprising 13% of our assets.

Last year the Bank registered an 19.6% year-on- year rise in its operating income. This was the result both of above-sector-average expansion in lending with improvements in interest rate margins and of growth in non-interest revenues nourished by cross-sales.

At the same time, operating expenses were strictly controlled so as to support the Bank's growth through sustainable profitability. The result was a 31.6% year-on rise in the Bank's operational net profit, which is its total profit less its operating expenses. The Bank's pre-tax profit in 2017 amounted to TL 139,669 thousand while its net profit was TL 109,848 thousand.

Our principal shareholder continued to support the Bank in 2017. As of 31 December 2017, the Bank's books showed a US\$ 375 million long-term loan and a US\$ 300 million subordinated loan, both received from its principal shareholder. The capital increase was realized in December 2017, and TL 285 million that corresponds to our principal's share was collected in cash.

As of 31 December 2017, the Bank's unconsolidated standard capital adequacy ratio was 19.6%.

The Bank's organizational structure has reached a much better and more sustainable position from the standpoints of efficiency and motivation. Our focus remains on increasing profitability and productivity in every possible area. In 2017 we will continue our efforts to sustain the growth in our lending while concentrating on loan quality, to reduce our funding costs through resource diversification and to improve revenues without sacrificing the principle of prudence.

Burgan Bank has everything it needs to remain on course as a company that generates long-term added value for its stakeholders. A unique blend of knowledge and experience, disciplined approach to business, superior quality human resources and effective risk management make our Bank an excellent financial institution capable of creating value for its stakeholders.

I take this opportunity to thank, both personally and on behalf of the Board of Directors, those who have contributed the most to our success; our colleagues for the dedicated efforts and our customers for the confidence in and loyalty to our Bank.

I hereby submit for your consideration and approval Burgan Bank's independently audited financial statements dated 31 December 2017.

Very truly yours,

THE BOARD OF DIRECTORS

Information about Human Resources Practices

Human Resources Policy

The Human Resources of a financial institution are the most valuable part of its assets. The success of the Bank is closely linked to its human resources policies that provide recruitment, development, loyalty and high motivation. The main responsibilities of Human Resources are outlined below:

- Formulating human resource policies and programs to support the Bank's strategic goals and priorities,
- Recruiting competent and result oriented human resources, capable of contributing to the attainment of the Bank's goals and strategies, always ensuring the maintenance of transparency and meritocracy, whether sourcing refers to internal transfer or external hiring,
- Contributing to the enhancement of the Bank's performance by designing a competitive pay policy and by rewarding superior performance,
- Gearing up our employees who are trained within the corporate culture and specialized in their careers for managerial positions, thus fortifying the Bank's corporate culture,
- Assuring employee satisfaction through proactive human resources practices and building an efficient and highly motivated organization.

Recruitment

Human resource needs are fulfilled in line with the Bank's short and medium-term strategic goals.

Our target is to attract the human resource possessing good academic background, that is open to innovation and change and that will espouse and maintain the Bank's values.

The considerations in the selection of new employees are conformity of individuals possessing potential for improvement to the Bank's competencies, as well as the conditions prevailing in the sector.

The Bank's overall Annual Headcount Budget is approved by the Board of Directors. The Executive Vice President of Human Resources reviews and approves all recruitments of the Bank. All new recruitments within the budget are also approved by the respective Executive Vice President, while recruitments outside the budget are also approved by the General Manager.

Training

The Bank's goals for training are listed below:

- Ensuring that training is an investment for the Bank and making sure that training plays a part in achieving the Bank's business targets,
- Extending the training and development support required to enhance the employees' performances in line with the Bank's strategy, business targets and mission,
- Guaranteeing that the training and development support is provided regularly, continually and systematically,
- Creating training strategies that are clear, shared and principled,
- Conducting customized training management which is based on need analysis and design and the outcomes of which are measured and monitored,
- Relating training and development support with the lines of business and business results.

Training and development plans are implemented, which are aimed at enhancing employees' productivity, ensuring their adaptation to change and raising the future's managers pool, in line with the Bank's objectives. Within this scope, training and development support is given in four categories:

- Banking technical knowledge and skills programs
- Management and personal training programs
- Compulsory certifications
- Orientation and on-the-job training programs.

In addition, "Institutional Coaching" and "Mentoring" Programs are offered to support the personal development of our employees.

It is of utmost importance to take care in ensuring that the training and development opportunities targeted in this direction are in conformity with the Bank's goals, strategies and competencies, as well as to have them monitored and followed-up by the Bank's managers.

Information about Human Resources Practices

Career Management

The Bank's primary goal is to ensure planning of promotion for high potential employees who have espoused the Bank's vision, mission and values, to managerial positions. It is targeted that the employees are actively involved in and manage their own career planning in cooperation with their line managers based on the results of performance appraisals.

For vacant positions in the Bank, the main strategy is recruitment from internal sources of the Bank. Our employees may be appointed to the vacant position by promotion or by keeping their existing titles and rights, depending on the requirements of such position. In order for the employees to be promoted in line with the Bank's needs, the relevant position must be vacant, the person must possess the knowledge and experience required by the position to which he/she will be promoted and he/she must have displayed a high performance or must have a high potential.

Performance Appraisal

The primary goal of performance appraisal is to achieve the Bank's goals and strategies and to ensure attainment of better results by the employees and the Bank through management of individual performance. Our corporate culture encourages our employees to receive and give feedback to their managers on their annual performance. In addition, once a year employees' contributions to business results and their development in competencies are measured.

The appraisal process serves to the rewarding of individuals displaying superior performances, as well as to the identification of people with high potentials and the determination of development needs of the employees. Performance levels of employees open the way for their promotion to various positions within the frame of personal career plans and also have an influence on their remunerations.

Remuneration

The Bank has in place a remuneration policy which aims at:

- Enabling the Bank to attract, acquire, motivate and retain highly competent employees,
- Setting a specific framework in order to ensure a consistent approach in rewarding employees, in line with their roles and responsibilities as well as knowledge and experience.
- The Remuneration Policy ensures also that Compensation & Benefits;
 - a- are in line with Banking Sector practices,
 - b- maintain internal equity,
 - c- are in line with the personnel expenses budget,
 - d- are aligned with Performance Management Evaluation, thus promoting the result-oriented culture of the Bank.

Staff Vacation Policy

The Bank adheres to the provisions of the Labor Law no 4857 in relation to vacations. Accordingly, annual vacation days according to years of service are as follows:

Years of Service	Vacation Days
1 to 5 Years	17 Days
5 to 15 Years	20 Days
More than 15 Years	26 Days

The employees must use:

- At least two consecutive weeks' vacation, if they are entitled to annual vacation of 20 or more days,
- At least one straight through week vacation if they are entitled to annual vacation of 17 days,
- The General Manager, the Senior Executive Vice President, Executive Vice Presidents, Group Heads, Regional Managers, Department Heads and Branch Managers should take at least 2 consecutive weeks' vacation, regardless of their entitled days of vacation.

The Remuneration and Benefits Management Department asks the employees, who have not taken their vacations in line with the rules stipulated by the Bank, to submit their explanations after being approved by their managers.

Employment of Relatives Policy

The aim of this policy is to ensure that Management decisions relating to the recruitment of relatives and promotions/ transfers of relatives already in service are taken in a way that does not give rise to conflicts of interest.

Employees who are related are not allowed to be placed in posts where one can control, evaluate, examine, approve or determine the work done by the other, or affect the pay and promotion of the other in any way.

This commitment is not limited to cases of service in the same unit but also relates to posts in collaborating units which provide complementary services or operate as approval/audit services.

Private Insurance Practices

Healthcare expenses of our employees and their families (spouse and children) are covered under the health insurance policies revised every year.

Furthermore, our employees are provided with life insurance that includes life, personal accident and critical illness coverage.

The Bank's Transaction with Its Risk Group

	Total Risk Group	Share in Financial Statements (%)
Borrowings	2,560,035	47.78
Banks and Other Financial Institutions	132,256	84.07
Deposits	86,792	0.97
Non Cash Loans	28,392	1.34
Loans	21,720	0.16

Information Regarding Affiliate Report

In according to the article 199 of the Turkish Commercial Code numbered 6102 which is effective since 1 July 2012; The Board of Directors are obliged to prepare an affiliate report regarding the transactions/relations between the controlling company and other affiliates of the controlling company within the first quarter of the activity year and attach the conclusion part of the affiliate report to the activity report.

The required information with respect to the transactions between the Bank and related parties has been stated in the part 5 numbers VII of the Footnotes and Information Regarding the

Non-Consolidated Financial Statement (Appendix-4). It has been explained at the Affiliate Report which has been prepared by the Board of Directors; "All transactions between the controlling company of the Bank and the affiliate companies of the controlling company in the fiscal year 2017, in the circumstances and conditions known to the board at the time at which the company conducted the legal proceeding or took or refrained from taking the measure, obtained appropriate counter-performance in relation to each proceeding and whether the company incurred any loss due to taking or refraining from taking the measure and in this regard there is no transaction or prevention required to net-off."

Fields of Activity in Which Support Services Were Procured and the Persons and Companies from Which They Were Procured Pursuant to the Regulation on the Support Services to be Procured by Banks and Authorization of Support Service Providers

Support Service Company	Area of Expertise	Description of Service
Active Bilgisayar Hizmetleri Tic. Ltd. Şti.	Information Systems	Nova 2000 Software System
Adesso Turkey Bilgi Teknolojileri Ltd. Şti.	Information Systems	IT Outsourcing
Aktif İleti ve Kurye Hizmetleri A.Ş.	Operational Services	Identity verification and delivery of account opening documents
Alternatif Dağıtım Taş. Kurye Hiz. Ltd. Şti. (Traffic Kurye)	Operational Services	Identity verification and delivery of account opening documents
Assisst Rehberlik ve Müşteri Hizmetleri A.Ş.	Information Systems	IT Outsourcing
Austria Card Turkey Kart Operasyonları A.Ş.	Operational Services	Personalization and Processing of Debit/ Credit Cards, Password Printing and Enveloping
Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.	Information Systems	ATM Management System, ATM Card Management System, ATM Fraud Management System
Bantaş Nakit ve Kıymetli Mal Taşıma Güvenlik Hizmetleri A.Ş.	Operational Services	CIT Cash Management Services
Bantaş Nakit ve Kıymetli Mal Taşıma Güvenlik Hizmetleri A.Ş.	Operational Services	ATM Installation Services
BİLİN Yazılım ve Bilişim Danışmanlığı Ltd.Şti.	Information Systems	Software (Personnel records, payroll formalities, legal reporting, data entry into the performance and recruitment module, candidate database) Support and Continuous Development Support Services
BS Finans Teknolojileri ve Danışmanlık A.Ş. -Bankalar Caddesi	Operational Services	Online loan application referral
Efes Varlık Yönetim A.Ş.	Operational Services	Loan application collection services
Final Alacak Yönetim ve Danışmanlık ve Destek Hizmetleri A.Ş.	Operational Services	Loan application collection services
Fineksus Bilişim Çözümleri Ticaret A.Ş.	Information Systems	Paygate Maestro & Search Swift application
Fineksus Bilişim Çözümleri Ticaret A.Ş.	Information Systems	SWIFT Application Software Repair and Maintenance Services
Finovatif Finans Teknolojileri A.Ş.	Operational Services	Comparative loan data viewing for customers during purchases on e-commerce websites
FU Gayrimenkul Yatırım Danışmanlık A.Ş.	Operational Services	Placing and Releasing of Mortgages, Encumbrance Investigation Services
G4S Güvenlik Hizmetleri A.Ş.	Operational Services	CIT Cash Management Services, Cheque Clearing Operation
Halıcıoğlu Yazılım Danışmanlık ve Tic Ltd Şti	Information Systems	Legal Tracking System
Hangisi İnternet ve Bilgi Hizmetleri A.Ş.- Hangikredi	Operational Services	Online loan application referral
Hesapkurdu.com (Konut Kredisi com.tr Danışmanlık A.Ş.)	Operational Services	Loan application service
Indigo Consulting SAL Offshore	Information Systems	Murex support services
Innova Bilişim Çözümleri A.Ş.	Information Systems	Kiosks Equipment Installation, Support and Maintenance
Innova Bilişim Çözümleri A.Ş.	Information Systems	Innova Payflex Collection System
Intertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	Core Banking System, Support and Maintenance Services
Intertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	Credit Card Integration
Intertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	Main Banking development and support services
Intertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	e-Pledge Integration
Iron Mountain Arşivleme Hizmetleri A.Ş.	Operational Services	Archiving services

Support Service Company	Area of Expertise	Description of Service
İpoteka Gayrimenkul Danışmanlık A.Ş.	Operational Services	Creation and Revocation of Lien, Encumbrance Investigation Services
İSNET Telekomünikasyon Servis Hizm.Tic.Ltd.Şti.	Information Systems	Communication Equipments Procurement
İz Destek Hizmetleri A.Ş.	Operational Services	Identity verification and delivery of account opening documents
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	IVR and CTI Implementation, Repair and Maintenance Services
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	Business Continuity and Flexibility Services
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	Emergency Services (DRC)
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	DC and DRC Hosting / Data Storage Center
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	Derivatives and investment statement printing and sending
Lider Turizm A.Ş.	Operational Services	Loan application collection services
Lostar Bilgi Güvenliği A.Ş.	Information Systems	Penetration test
Mastercard Payment Transaction Services A.Ş.	Operational Services	Debit Card Clearing Operation Service
Mastercard Payment Transaction Services A.Ş.	Information Systems	Printing and Distribution of Credit Cards and ATM Cards, Settlement, Reporting, Slip Printing and Distribution Provision Services
Mastercard Payment Transaction Services A.Ş.	Operational Services	Printing and Distribution of Credit Cards and ATM Cards, Settlement, Reporting, Slip Printing and Distribution Provision Services
Mastercard Payment Transaction Services A.Ş.	Information Systems	Fraud monitoring/EMS system service for Internet Banking, Mobile Banking and Call Center transactions
MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş.	Operational Services	Printing Negotiable Instruments
Mubuto Bilgi Teknolojileri A.Ş.	Information Systems	Outsourcing
NGN Bilgi ve İletişim Hizmetleri Tic A.Ş.	Information Systems	Sharepoint outsource service
Posta ve Telgraf Teşkilatı A.Ş. (PTT)	Operational Services	Debit and credit card sending
Printec Turkey Bilişim Hiz. A.Ş.	Information Systems	Siron AML maintenance and support services
RGN İletişim Hizmetleri A.Ş.	Operational Services	Collection calls
Risk Aktif Danışmanlık Eğitim ve Yazılım San.Tic.Ltd.Şti.	Information Systems	Basel II Reporting
Risk Services Ltd	Information Systems	Operation Risk Database
Securitas Güvenlik Hizmetleri A.Ş.	Operational Services	Physical security services
Set Bilgisayar Yaz.Don.Eğt.Müş.Hiz.Ltd.Şti.	Information Systems	IT Outsourcing
Sistaş Sayısal İletişim Sanayi ve Ticaret A.Ş.	Information Systems	Call Center infrastructure service
TAGAR Tapu Garanti Hizmetleri A.Ş.	Operational Services	Placing and Releasing of Mortgages, Encumbrance Investigation Services
Tele Kurye A.Ş.	Operational Services	Identity verification and delivery of account opening documents
V.R.P. veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizm.Tic.A.Ş.	Information Systems	Internet Banking, Direct Sales Tablet App. Vendor Channel Web App
VEGA Bilgisayar Hizmetleri Ltd. Şti.	Information Systems	Legal reporting software support service

Corporate Governance Report

Board of Directors

The Board of Directors is the ultimate decision-making body at the Bank. The Board of Directors fulfills its decision-making function through the Board Committees. In order to set up the board committees in the number required by the Articles of Association, the Board of Directors is made up of sufficient number of members which must not be less than five. Each member of the Board of Directors is elected for a term of office of three years. Members whose terms of office expire may be re-elected. The members of our Bank's Board of Directors as of the date of this writing are presented below. The Board of Directors meets at least six times a year, and at least once on a quarterly basis. The Board held 11 meetings during 2017.

Member	Position
Mehmet Nazmi Erten	Chairman of the Board
Faisal M.A. Al Radwan	Vice Chairman of the Board
Osama T. Al Ghousein	Board Member
Eduardo Eguren Linsen	Board Member
Adrian Alejandro Gostuski	Board Member
Majed E.A.A. Al Ajeel	Board Member
Mehmet Alev Göçmez	Board Member
Halil Cantekin	Board Member
Ali Murat Dinç	Board Member & CEO

Board of Directors Committees

Corporate Governance Committee (BCGC)

The BCGC is mainly responsible for assisting the Board of Directors in setting the Bank's corporate governance policies, following-up on their execution, and periodic reviewing thereof to ensure their effectiveness. The members of the Bank's Corporate Governance Committee as of the date of this writing are presented below. The Committee meets at least every three months during a calendar year. The BCGC held four meetings in 2017.

Member	Position
Majed E.A.A. Al Ajeel	Head of the Corporate Governance Committee
Mehmet Nazmi Erten	Corporate Governance Committee Member
Ali Murat Dinç	Corporate Governance Committee Member

Nomination and Remuneration Committee (BNRC)

The BNRC is responsible for making recommendations to the Board of Directors regarding nomination to the Board's membership, review of Board structure on an annual basis, overall performance evaluation of the Board and individual performance review of each member on annual basis, and developing Bank-wide remuneration policy in line with applicable laws and regulations. The members of the Bank's Nomination and Remuneration Committee as of the date of this writing are presented below. The Committee meets as and when necessary. The BNRC held three meetings in 2017.

Member	Position
Majed E.A.A. Al Ajeel	Head of the Remuneration Committee
Eduardo Eguren Linsen	Remuneration Committee Member
Mehmet Alev Göçmez	Remuneration Committee Member

Audit Committee (BAC)

The BAC is responsible for establishing and overseeing the adequacy of internal control and audit functions of the Bank, as well as for ensuring compliance with applicable laws, policies, guidelines, and code of business conduct and ethics, and also other responsibilities provided under the BRSA Regulation on Internal Systems of Banks. The members of the Bank's Audit Committee as of the date of this writing are presented below. The Committee meets at least quarterly during a calendar year. The BAC held four meetings in 2017.

Member	Position
Halil Cantekin	Head of the Audit Committee
Osama T. Al Ghousein	Audit Committee Member
Adrian Alejandro Gostuski	Audit Committee Member

Risk Committee (BRC)

The BRC is responsible for supervising whether the risk strategy is implemented by the executive management, and for presenting review feedbacks and reports regarding the current and future risk strategy and tolerance to the Board of Directors. The members of the Bank's Risk Committee as of the date of this writing are presented below. The Committee meets at least every three months during a calendar year. The BRC held five meetings in 2017.

Member	Position
Adrian Alejandro Gostuski	Head of the Risk Committee
Osama T. Al Ghousein	Risk Committee Member
Majed E.A.A. Al Ajeel	Risk Committee Member

Credit and Recovery Committee (BCRC)

The BCRC authorizes the loans referred to it by the Bank's Board of Directors subject to the legal regulations. The members of the Bank's Credit and Recovery Committee as of the date of this writing are presented below. The Committee meets once in two weeks and as and when necessary. The BCRC held 31 meetings in 2017.

Member	Position
Mehmet Nazmi Erten	Head of the Credit Committee
Faisal M.A. Al Radwan	Deputy Head of the Credit Committee
Ali Murat Dinç	Credit Committee Member
Eduardo Eguren Linsen	Credit Committee Member
Adrian Alejandro Gostuski	Credit Committee Alternate Member
Mehmet Alev Göçmez	Credit Committee Alternate Member

Management Risk Coordination Committee (RCCOM)

The primary objective of RCCOM is to present internal audit and internal control findings, risk management, regulatory and compliance matters for the information of the Chairman of the Board of Directors, Head of the Audit Committee and the CEO in an expedited manner. It also aims to initiate the necessary cooperation between internal systems departments in accordance with the BRSA regulations, and thus, assist the CEO in taking the necessary corrective actions as appropriate.

Executive Committees

The head of execution is the Chief Executive Officer, who fulfills the management function through the executive committees and together with the managerial staff reporting to him/her.

Executive Committee (EXCO)

- Asset and Liability Management Committee (ALCO)
- Executive Credit Committee (ECCOM)
- Credit Provision Committee (CPCOM)

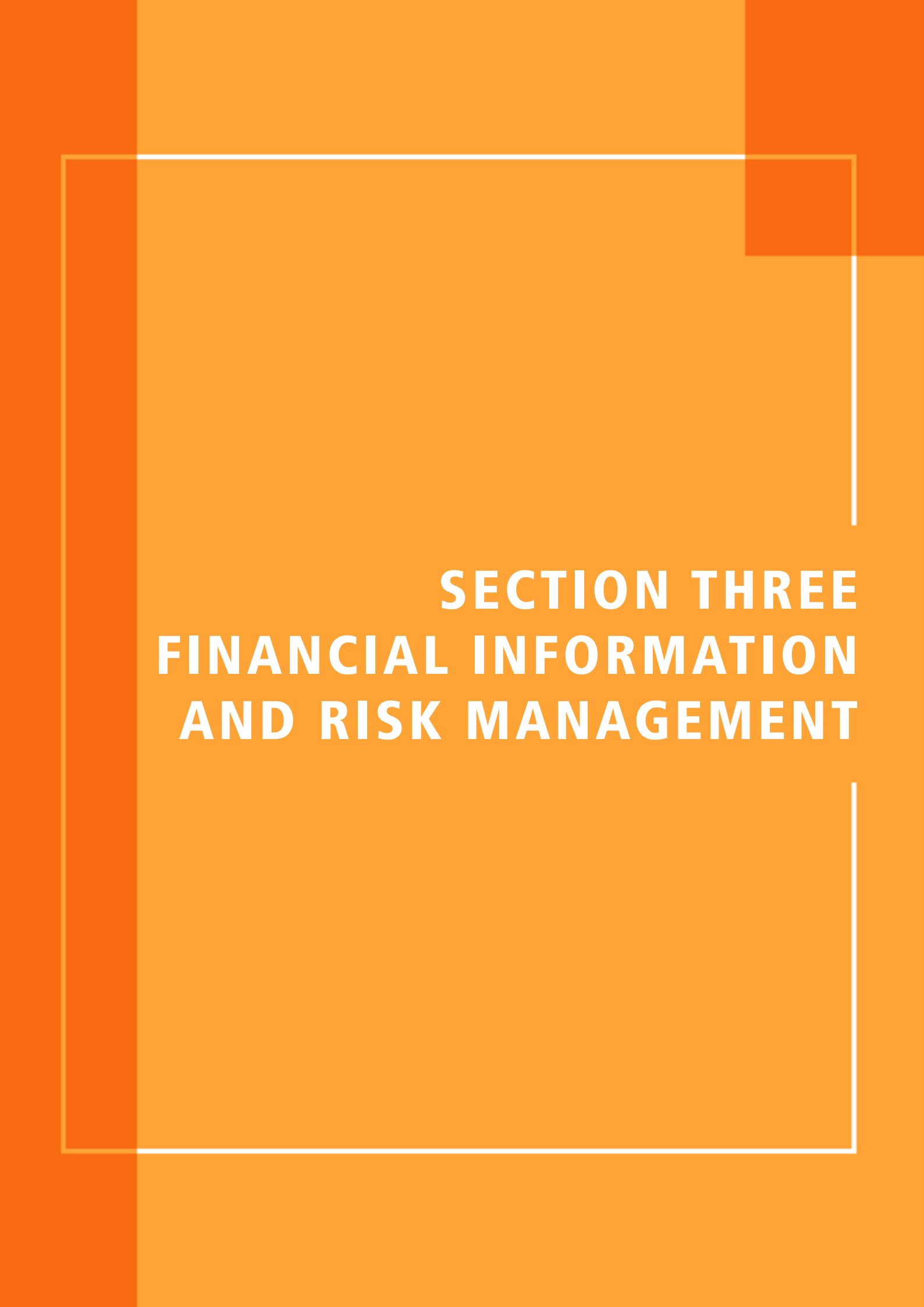
Product Service Committee (PSCOM)

- Purchasing Committee (PURCOM)
- Discipline Committee (DISCOM)

Human Resources Committee (HRCOM)

- Change and Steering Committee (CSCOM)
- Information Security Steering Committee (ISSC)
- Crisis Management Committee (CMCOM)
- Legal Coordination Committee (LCC)

The Bank pursues its operations within a well-defined and formulated corporate governance structure that achieves maximum conformity to ethical banking principles. The Bank applies corporate governance code of ethics and practices to its operations on the basis of the four main pillars of corporate governance, namely accountability, transparency, fairness and integrity. The Bank has set transparency as the central principle of risk management. The Bank adheres to the guidelines based on the Basel Committee Corporate Governance recommendations of the Capital Markets Board of Turkey (CMB) and the Banking Regulation and Supervision Agency (BRSA). The Bank adopts the policies of the regulatory authorities of its principal shareholder as reference, to the extent they do not conflict with local laws and regulations. The Bank makes sure that any hitches in the implementation of the principles mentioned above are shared with all related authorized individuals and authorities, including the Board of Directors.



SECTION THREE FINANCIAL INFORMATION AND RISK MANAGEMENT

Report by Statutory Auditors Organized Pursuant to Article 397 of the Turkish Commercial Code Dated 13/01/2011 and No.6102

Please refer to Appendix-1.

An Assessment by the Audit Committee of the Operation of Internal Control, Internal Audit and Risk Management Systems and Their Activities in the Reporting Period

The primary function of the Burgan Bank Audit Committee is to assist the Bank's Board of Directors in the fulfillment of the latter's responsibility to supervise the Bank and its affiliates subject to consolidation, by reviewing the financial data to be presented to the shareholders, ensuring the productivity and efficiency of the Internal Control Framework set up by the Board of Directors and the Management level and monitoring the audit process.

The Audit Committee meets at least four times a year and reviews and evaluates the efficiency, adequacy and productivity of the Internal Control Framework and Systems particularly with respect to the achievement of the objectives in the categories listed below:

- Efficiency, productivity and adequacy of the Bank's accounting and reporting systems, as well as of the Bank's Internal Audit, Internal Control and Risk Management,
- Accuracy of the data provided by the systems mentioned above,
- Reliability of financial reporting,
- Establishment of communication channels and information system control,
- Compliance with the laws and legislation in force.

The Audit Committee informs the Board of Directors on any case of noncompliance, also presenting a proposal relating to the corrective action that needs to be taken.

The Audit Committee's assessment of the operation of internal control, internal audit and risk management systems is as follows:

Risk Management System at Burgan Bank has been formulated based on this significance and our commitment to the banking concept we are willing to implement; the system is in a constant evolution process. The purpose of Burgan Bank is to make Risk Management System a part of the decision-making process, rather than using it merely for measurement and reporting purposes.

The Internal Control and Internal Audit Systems make it the focal point of their work to provide reasonable assurance for the adequacy of the internal control system in place at the Bank and to improve the same, in line with a risk based approach. In their activities, these systems do not solely focus on identifying errors, but are rather concentrated on the establishment and implementation of measures that will prevent the occurrence of errors.

Independent Auditors' Report

Please refer to Appendix-1.

Financial Statements and Information on Financial Structure

Please refer to Appendix-2 & 3.

An Assessment of the Financial Status, Profitability and Solvency

As of end 2017, the Bank's total assets increased by 22.5% and reached TL 16,807,309 thousand.

Liquid assets accounted for 13% of the Bank's balance sheet.

At TL 424,026 thousand, the Bank's trading portfolio made up a 2.5% share of its balance sheet.

There was a 24.1% year-on rise in cash loans, of which share of the total balance sheet increased and reached to 78.9% as of year-end. The Bank's NPL ratio was 2.6%.

As of 31 December 2017, the Bank's total deposits amounted to TL 8,928,115 thousand, up 7.4% year-on-year. This corresponds to a 53.1% share of the balance sheet.

The Bank's registered share capital ceiling is TL 2 billion; its paid-in capital amounts to TL 1,185 million.

As of end-2017, the Bank showed a net profit of TL 109,848 thousand.

BURGAN BANK A.Ş. BALANCE SHEET ANALYSIS (TL THOUSAND)			
ASSETS	31 December 2017	31 December 2016	Change (%)
Liquid Assets	2,184,644	1,558,519	40.2
Securities	424,026	684,002	(38.0)
Loans and Factoring Receivables (Net)	13,262,537	10,685,527	24.1
Subsidiaries	256,972	237,171	8.3
Tangible and Intangible Assets	145,547	150,516	(3.3)
Other Assets	533,583	405,881	31.5
TOTAL ASSETS	16,807,309	13,721,616	22.5
LIABILITIES			
Deposits	8,928,115	8,309,833	7.4
Funds Borrowed	5,558,646	3,661,707	51.8
Other Liabilities	808,073	657,518	22.9
Shareholders' Equity	1,512,475	1,092,558	38.4
TOTAL LIABILITIES	16,807,309	13,721,616	22.5

BURGAN BANK A.Ş. STRUCTURAL BALANCE SHEET (%)		
ASSETS	31 December 2017	31 December 2016
Liquid Assets	13.0	11.4
Securities	2.5	5
Loans and Factoring Receivables (Net)	78.9	77.9
Subsidiaries	1.5	1.7
Tangible and Intangible Assets	0.9	1.1
Other Assets	3.2	3
TOTAL ASSETS	100.0	100.0
LIABILITIES		
Deposits	53.1	60.6
Funds Borrowed	33.1	26.7
Other Liabilities	4.8	4.8
Shareholders' Equity	9	8
TOTAL LIABILITIES	100.0	100.0

Parallel to the 24.1% growth in the loan volume, the increase in interest rate margins and upward movement in market interest rates led to a 36.2% increase in the Bank's loan interest income and the increase in gross interest income was 26.4%.

Somewhat similarly, the 7.4% expansion in bank-held deposits and increased interest rates led to a 42.1% rate of rise in the interest that was paid on them. However, the growth in interest expenses fell short of the growth in deposits. Owing to loans received from our principal shareholder and from other banks, there was a 62.3% rise in the interest paid on such borrowings compared to the 2016. The 29.2% year-on rise in gross interest expenses is attributable to the growth in resources secured by the Bank to fund the expansion in its assets.

In 2017 favourable developments in interest rate margins accompanied by growth lending and by changes in costs brought on by resource diversification resulted in 20.4% rise in the Bank's net interest income when compared to previous year.

BURGAN BANK A.Ş. NET INTEREST INCOME (TL THOUSAND)			
	31 December 2017	31 December 2016	Change (%)
INTEREST INCOME	1,445,845	1,143,862	26.4
Interest on Loans	1,132,453	831,659	36.2
Interest on Reserve Requirements	20,438	9,570	113.6
Interest on Banks	25,248	1,969	1182.3
Interest on Money Market Transactions	3,152	7,574	(58.4)
Interest on Securities	39,338	39,864	(1.3)
Other Interest Income	225,216	253,226	(11.1)
INTEREST EXPENSE	(1,002,944)	(776,088)	29.2
Interest on Deposits	(567,753)	(399,605)	42.1
Interest on Money Market Borrowings	(154,908)	(95,467)	62.3
Interest on Funds Borrowed	(12,660)	(16,724)	(24.3)
Other Interest Expense	(267,623)	(264,292)	1.3
NET INTEREST INCOME	442,901	367,774	20.4

BURGAN BANK A.Ş. NET INTEREST INCOME ANALYSIS (%)		
INTEREST INCOME	100.0	100.0
Interest on Loans	78.3	72.7
Interest on Reserve Requirements	1.4	0.8
Interest on Banks	1.7	0.2
Interest on Money Market Transactions	0.2	0.7
Interest on Securities	2.7	3.5
Other Interest Income	15.6	22.1
INTEREST EXPENSE	100.0	100.0
Interest on Deposits	56.6	50.5
Interest on Money Market Borrowings	15.4	12.3
Interest on Funds Borrowed	1.3	2.2
Other Interest Expense	26.7	34.0

Loan provisions amounted to TL 82,500 thousand.

An Assessment of the Financial Status, Profitability and Solvency

To sum up, total loans were up by 24.1% last year. Significantly this was achieved without sacrificing profitability even in the face of the stiff price competition.

As a result, there was a 20.4% year-on rise in net interest income and an 19.6% rise in operating revenues, the latter of which was attributable to increases in other interest income and cross-sales earnings. Sustainable growth of the Bank's profit was also supported by strict management of operating expenses. In 2017 Burgan Bank posted a net current profit of TL 109,848 thousand, which was 53.3% higher than that of the previous year.

BURGAN BANK A.Ş. NET INCOME ANALYSIS (TL THOUSAND)			
	31 December 2017	31 December 2016	Change (%)
Net Interest Income	442,901	367,774	20.4
Net Commission and Fee Income	31,016	23,180	33.8
Dividend Income	328	328	-
Trading Income/Loss (Net)	17,448	22,672	(23.0)
Other Operating Income	14,607	9,254	57.8
Reserve For Loan and Other Losses	(82,500)	(69,492)	18.7
Operating Expenses	(301,299)	(267,380)	12.7
From Investments Accounted Based on the Equity Method	17,168	5,026	241.6
Income Before Tax	139,669	91,362	52.9
Tax	(29,821)	(19,689)	51.5
Net Income	109,848	71,673	53.3

Information on Risk Management Policies Implemented by Types of Risks

The Bank's risk strategy is its main component of risk management system. The Board of Directors is responsible for approving and periodically reviewing the risk policy of the Bank to ensure it is in line with corporate strategy and strategic goals. A basic component of the risk strategy is the risk appetite. The risk appetite defines which risks and into what extent the Bank will actively seek and which risks are undesirable and should be avoided or eliminated. Bank aims to set out the main elements of its risk taking activities in order to attain its business goals within the limits prescribed by the risk strategy and risk appetite.

The Bank regards the formulation of a clear and realistic risk strategy as an essential part of its overall corporate strategy and as the foundation upon which all risk management policies are to be based.

Risk Management Policies

The Bank adopts following principles that form the basis of risk management processes for a healthy risk management process:

- The Board of Directors is responsible for approving and periodically reviewing the risk policy of the Bank.
- Senior management is responsible for the implementation of the risk policy approved by the Board of Directors and for the development of systems and procedures for identifying, measuring, monitoring and mitigating risk.
- The Bank has defined appropriate credit underwriting criteria, ensuring a thorough understanding of the borrower or counterparty, as well as the purpose and structure of the exposure and its source of repayment.
- The Bank has defined certain principles and policies to ensure the efficient monitoring of market risks.
- The Bank is carrying out its business by setting procedures which clearly define the responsibility and accountability of all business units engaged in a particular type of business or transaction.
- Appropriate systems and processes are in place to monitor all exposures, both on or off-balance sheet.
- The Bank promotes an open risk culture under which all material risks are communicated to the appropriate authorities of the Bank as well as to the Board of Directors. The Bank considers risk transparency as an essential element of its approach to risk management.
- Risk management supervision is independent from any business decisions, in order to ensure sound risk governance and avoid conflicts of interest.
- Risk management is properly resourced in order to carry out its mission, given the risk appetite of the Bank.

Sound risk management is a key element of Burgan Bank in its effort to achieve its business goals. The Bank has established a comprehensive risk management framework in order to ensure that risk taking which is inherent in the Bank business activities remains always within desirable and controlled parameters. The risk management framework includes clearly defined processes for the approval and authorization of all risk taking activities plus a risk oversight function in order to ensure independent monitoring and measurement of risk.

Risk Management

Bank's management aims to ensure that:

- Risk taken by the Bank is always in line with the risk appetite as defined by the Board of Directors,
- Total risk taken does not exceed the ability of the Bank to absorb losses,
- Risk is adequately mitigated by the implementation of proper risk management systems and procedures,
- Risk awareness is constituted among all units of the Bank and
- Appropriate risk transparency is implemented and all risk figures are properly communicated across all relevant business units as well as to the Board of Directors.

Risk Limits

Risk limits are specified for quantified risk categories in line with the level of risk that the Bank is exposed to. In this respect, limits are determined in credit, market and operational risk categories. Risk limits are determined by the Board of Directors.

Risk limits are revised and updated depending on market conditions and changes in Bank's strategy. Board of Directors is responsible of reviewing risk limits. In case of a change is needed in risk limits, it is presented to the attention of the risk committee. After the evaluation of risk committee, the proposal is sent to the sanction of Board of Directors.

Information on Risk Management Policies Implemented by Types of Risks

Risk Strategy Objectives

The objectives of the Bank's risk strategy with regard to the main risk categories are presented below.

Credit Risk Strategy

- The Bank shall engage in lending activities towards legal entities and individuals which exhibit satisfactory creditworthiness and financial standing.
- The Bank shall maintain a diversified credit portfolio. As such, all business sectors where opportunities for profitable growth exist may be eligible for lending purposes. However the effect of economic cycles and other endogenous or exogenous factors must always be taken under consideration in any credit decision.
- The Bank will assume credit risk of which it has a good understanding and is capable to manage, either at individual or at portfolio level.
- The Bank shall require that credit exposures are adequately covered by satisfactory collateral. Unsecured exposures shall be taken with prudence.

- The Bank shall avoid significant concentrations of credit risk, either to single or groups of borrowers or sectors of the economy.
- The Bank aims to extend credit facilities towards customers with a satisfactory credit history and successful overall track record. As such, the Bank shall proceed with financing of start-ups and new ventures with outmost care and on exceptional cases.

Market and Liquidity Risk Strategy

- The Bank aims to ensure the efficient monitoring of market risks that emanate from its overall activities.
- The Bank shall maintain a prudent approach in managing its exposure to market risk and liquidity risk.
- The Bank shall be protected against unforeseen market losses through the independent identification, assessment and understanding of the market risks inherent in the business.
- Risk/return balances are provided by using appropriate financial instruments in the management of cash flows.
- Positions on the basis of intra-day liquidity and foreign exchange are managed in a way that is compatible with the economic interests of the Bank.

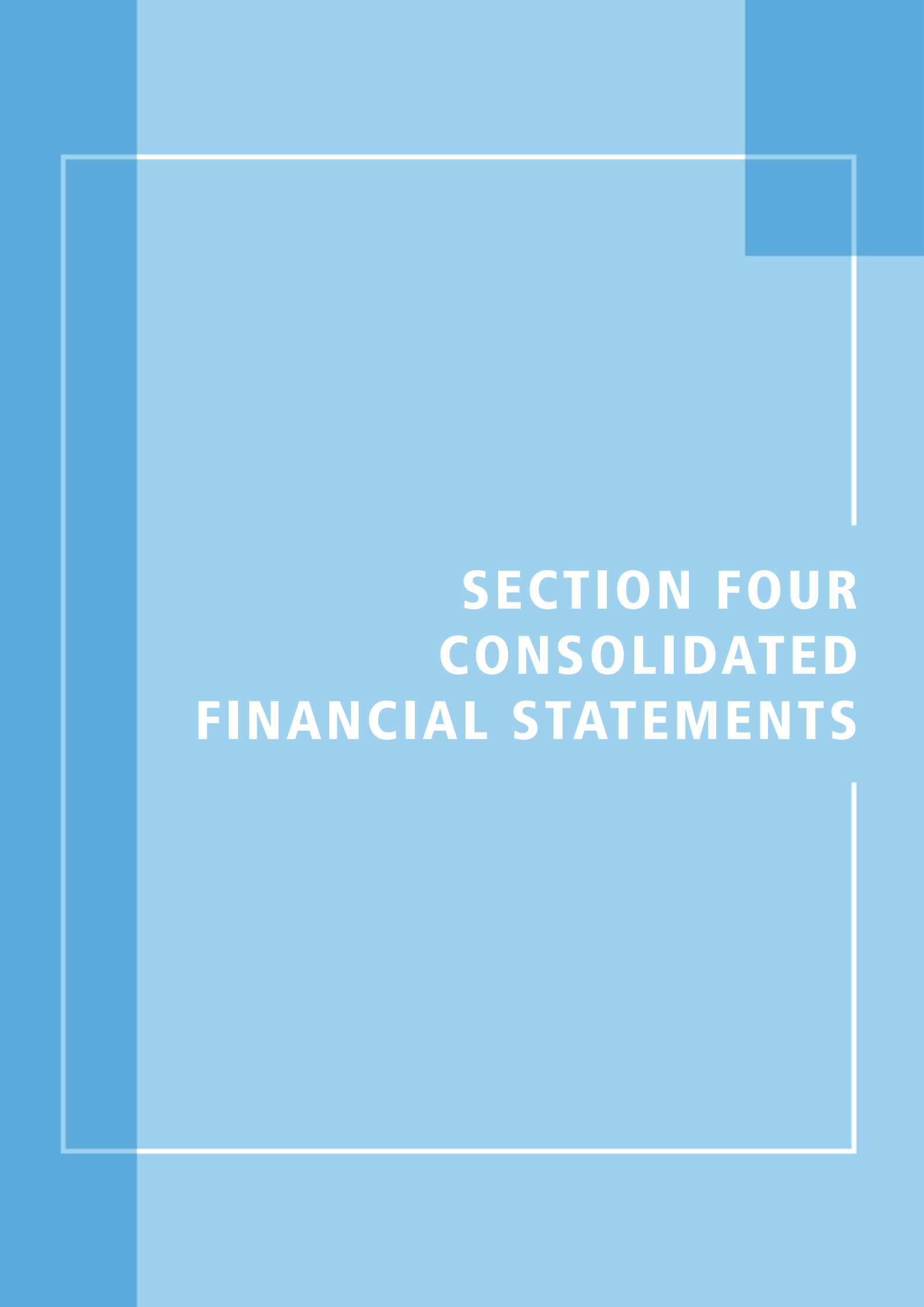
Ratings Granted by Rating Agencies and their Contents

FITCH (26 January 2018)	
Outlook	Stable
Long Term Foreign Currency	BBB-
Short Term Foreign Currency	F3
Long Term Local Currency	BBB-
Short Term Local Currency	F3
Financial Capacity	b+
Support	2
National	AAA(tur)

Summary Financial Data for the Past Five Years Including the Reporting Period

TL thousand	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Total Assets (*)	16,807,309	13,721,616	10,674,834	8,689,365	6,816,283
Loans	13,262,537	10,685,527	8,187,754	6,466,286	4,761,368
Deposits	8,928,115	8,309,833	6,695,608	5,365,121	3,428,695
Shareholders' Equity (*)	1,512,475	1,092,558	1,012,502	953,026	591,217
Current Year Income/ (Loss) (*)	109,848	71,673	52,169	17,824	(53,697)
Non-cash Loans	2,118,649	1,982,236	1,544,155	1,190,752	1,186,621
Capital Adequacy Ratio	19.60%	17.66%	15.97%	17.74%	14.99%

(*) The Bank adjusted related statements in accordance with the TAS 8 Accounting Policies, Turkish Accounting Standard regarding Amendments and Errors in Accounting Estimates in its financial statements and income statement as of 31 December 2013 and 2014 through making rearrangements with respect to amendments in TAS 27 Separate Financial Statements Standard.



SECTION FOUR CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Information

	31.12.2017 (*)	31.12.2016 (*)	%
Total Assets	18,754,698	15,094,145	24.3
Loans, factoring and financial lease receivables	15,258,622	12,041,346	26.7
Securities	444,426	721,092	(38.4)
Deposits	8,872,471	8,248,669	7.6
Borrowings and money market placements	7,479,560	5,048,922	48.1
Shareholders' Equity	1,512,475	1,092,558	38.4
Non-cash Loans	2,118,649	1,982,236	6.9
Current Year Income/ (Loss)	109,848	71,673	53.3
Capital Adequacy Ratio (*)	17.32%	15.84%	9

(*) Based on Consolidated Financial Statements (TL thousand)

Information on Consolidated Subsidiaries

Our consolidated subsidiaries are presented below as of 31 December 2017:

Subsidiaries	Associates	Joint Ventures
1.Burgan Finansal Kiralama A.Ş.	-	-
2. Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai	-	-

Main financial figures of the consolidated subsidiaries in the order of the above table:

	Total Assets	Shareholders' Equity	Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1	2,184,523	199,787	12,413	147,756	-	34,559	23,293	-
2 ^(*)	127,265	57,269	4,414	12,467	3,047	(17,391)	(18,267)	-

(*) These figures include the consolidated results reported by Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai.

APPENDICES

APPENDIX-1
COMPLIANCE OPINION ON ANNUAL REPORT

APPENDIX-2
PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURE TOGETHER WITH
INDEPENDENT AUDIT REPORT AT 31 DECEMBER 2017

APPENDIX-3
PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES TOGETHER WITH
INDEPENDENT AUDIT REPORT AT 31 DECEMBER 2017

(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of Burgan Bank A.Ş.

1) Opinion

We have audited the annual report of Burgan Bank A.Ş. ("the Bank") and its subsidiaries ("the Group") for the period of 1 January 2017 – 31 December 2017.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with "Communiqué on Independent Audit of Banks" published in the Official Gazette no.29314 dated 2 April 2015 ("BRSA Independent Audit Regulation") and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Report* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 28 February 2018 on the full set consolidated financial statements of the Group for the period of 1 January 2017 – 31 December 2017.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of "Communiqué on Principles and Procedures set out by the Regulations on Preparation and Issuance of Annual Reports of Banks", the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the "Communiqué on Principles and Procedures set out by the Regulations on Preparation and Issuance of Annual Reports of Banks" published in official gazette no.26333 dated November 1, 2006, the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulations, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with BRSA Independent Audit Regulation and InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

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



28 February 2018
İstanbul, Türkiye

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS AND AUDIT
REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF
SECTION THREE)

BURGAN BANK A.Ş.

PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
TOGETHER WITH INDEPENDENT AUDIT REPORT
AT 31 DECEMBER 2017

**(Convenience Translation of the Independent Auditors' Report
Originally Issued in Turkish (See Note I in Section Three))**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Burgan Bank A.Ş.:

Audit of Unconsolidated Financial Statements

Opinion

We have audited the accompanying unconsolidated financial statements of Burgan Bank A.Ş. (the Bank), which comprise the statement of financial position as at 31 December 2017 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 unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Burgan Bank A.Ş. as at 31 December 2017 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). 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 Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our *other* responsibilities in accordance with the code of ethics. 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 judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<i>Impairment of Loans and Receivables</i>	
<p>Impairment of loans and receivables to customer is a key area of judgement for the management. There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables which are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related Explanations relating to the impairment of loans and receivables have been disclosed in Note e in the Disclosures and Footnotes related to Assets.</p>	<p>Our audit procedures included among others, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and receivables and the assessment of impairment losses of loans and receivables were reasonably determined in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and receivables and the required provisions against them.</p>
<i>Derivative Financial Instruments</i>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Note b in the Disclosures and Footnotes related to off-balance sheet accounts.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts of our firm and the assessment of used estimations and the judgements and testing of operating effectiveness of the key controls in the process of fair value determination.</p>

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

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 BRSA Independent Audit Regulation and 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 BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated 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 Bank'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 Bank'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 unconsolidated 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated 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 those charged with governance 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 those charged with government 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 those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated 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.

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2017 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

The engagement partner who supervised and concluded this independent auditor's report is Yaşar Bivas.

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



28 February 2018
İstanbul, Türkiye

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

**THE UNCONSOLIDATED FINANCIAL REPORT OF
BURGAN BANK A.Ş. AS OF 31 DECEMBER 2017**

Address : Maslak Mahallesi, Eski Büyükdere Caddesi, No:13 34485 Sarıyer/İstanbul
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Web site : www.burgan.com.tr
E-mail : bilgi@burgan.com.tr

The unconsolidated year end financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- **Section One** **GENERAL INFORMATION ABOUT THE BANK**
- **Section Two** **UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK**
- **Section Three** **EXPLANATIONS ON ACCOUNTING POLICIES**
- **Section Four** **INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**
- **Section Five** **EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**
- **Section Six** **OTHER EXPLANATIONS**
- **Section Seven** **EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

The accompanying unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

28 February 2018

Mehmet N. ERTEN
Chairman of the
Board of Directors

Ali Murat DİNÇ
Member of the Board
of Directors and
General Manager

Mehmet YALÇIN
Financial Affairs
Vice General
Manager

Ahmet CİĞA
Head of Accounting,
Tax, and
Reporting Unit

Halil CANTEKİN
Head of the
Audit Committee

Adrian Alejandro
GOSTUSKI
Member of the Audit Committee

Osama T. AL GHOSSEIN
Member of the
Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title : Ahmet CİĞA / Head of Accounting, Tax, and Reporting Unit
Telephone Number : 0 212 371 34 84
Fax Number : 0 212 371 42 48

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

	<u>PAGE</u>
I. Bank's foundation date, start-up statute, history about the changes in this mentioned statute	1
II. Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to	2
III. Explanation on the board of directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess	3
IV. Explanation on shareholders having control shares	4
V. Information on the Bank's service type and field of operations	4
VI. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries	4

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

I. Balance sheet	6
II. Off-balance sheet commitments	8
III. Income statement	9
IV. Statement of income and expense items accounted in equity	10
V. Statement of changes in shareholders' equity	11
VI. Statement of cash flows	13
VII. Statement of profit distribution	14

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of presentation	15
II. Explanations on strategy of using financial instruments and foreign currency transactions	17
III. Explanations on investments in associates, subsidiaries and joint ventures	17
IV. Explanations on forward transactions, options and derivative instruments	18
V. Explanations on interest income and expense	19
VI. Explanations on fee and commission income and expense	19
VII. Explanations on financial assets	19
VIII. Explanations on impairment of financial assets	21
IX. Explanations on offsetting financial assets	21
X. Explanations on sales and repurchase agreements and securities lending transactions	22
XI. Explanations on tangible assets held for resale and discontinued operations	22
XII. Explanations on goodwill and other intangible assets	22
XIII. Explanations on property and equipment	23
XIV. Explanations on leasing transactions	23
XV. Explanations on provisions and contingent commitments	24
XVI. Explanations on contingent assets	24
XVII. Explanations on obligations related to employee rights	24
XVIII. Explanations on taxation	25
XIX. Explanations on borrowings	26
XX. Explanations on issuance of share certificates	26
XXI. Explanations on avalized drafts and acceptances	26
XXII. Explanations on government grants	26
XXIII. Explanations on profit reserves and profit distribution	26
XXIV. Explanations on earnings per share	27
XXV. Explanations on related parties	27
XXVI. Explanations on cash and cash equivalents	27
XXVII. Explanations on segment reporting	27
XXVIII. Reclassifications	27

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on equity	28
II. Explanations on credit risk	32
III. Explanations on risk management	42
IV. Explanations on operational risk	64
V. Explanations on currency risk	65
VI. Explanations on interest rate risk	67
VII. Explanations on the share certificate position risk	71
VIII. Explanations on liquidity risk management and liquidity coverage ratio	72
IX. Explanations on leverage ratio	80
X. Explanations on hedge transactions	81
XI. Explanations regarding the presentation of financial assets and liabilities at their fair values	82
XII. Explanations on the activities carried out on behalf and account of other persons	84
XIII. Explanations on operating segments	84

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and notes related to assets	86
II. Explanations and notes related to liabilities	101
III. Explanations and notes related to off-balance sheet accounts	110
IV. Explanations and notes related to income statement	113
V. Explanations and notes related to equity	120
VI. Explanations and notes related to cash flow	121
VII. Explanations and notes related to Bank's risk group	122
VIII. Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the bank	125
IX. Explanations and notes related to subsequent events	125

SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to Bank's operations	126
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SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. Explanations on independent audit report	126
II. Explanations and notes prepared by independent auditor	126

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

I. BANK'S FOUNDATION DATE, START-UP STATUTE, HISTORY ABOUT THE CHANGES IN THIS MENTIONED STATUTE:

Tekfen Yatırım ve Finansman Bankası A.Ş. was established as an "investment bank" with the permission of the Council of Ministers No. 88/13253 on 26 August 1988 and authorised to conduct finance investment and foreign trade activities. Banking operations commenced on 7 August 1989.

Bank Ekspres A.Ş. ("Bank Ekspres") was established with the permission of the Council of Ministers in decision No. 91/2316 on 22 September 1991; "The Decree of Establishment Permission" was published in the Official Gazette numbered 21017 and dated 10 October 1991. The Articles of Association was published in the Trade Registry Gazette numbered 2969 and dated 18 February 1992. The Turkish Savings Deposit and Insurance Fund ("SDIF") took over the management of Bank Ekspres A.Ş. due to the poor fiscal structure of the bank on 23 October 1998.

According to the Share Transfer Agreement signed between the SDIF and Tekfen Holding A.Ş. on 30 June 2001, 2,983.800.000 shares with a nominal value of Kr1 each and which amount to 99,46% of the capital of Bank Ekspres A.Ş. under the control of the SDIF in accordance with Banking Law were transferred to Tekfen Holding A.Ş.. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., where Tekfen Holding A.Ş. owns 57,69% of the Bank, by Bank Ekspres A.Ş. was permitted by the Banking Regulation and Supervision Agency's ("BRSA") decision numbered 489 dated 18 October 2001. The share transfers were realised on 26 October 2001 and the bank's name was changed to Tekfenbank Anonim Şirketi (the "Bank"), which had two main shareholders: Tekfen Holding A.Ş. with 57,30% and TST International S.A. with 40,62%.

EFG Eurobank Ergasias S.A. ("Eurobank EFG") and Tekfen Holding A.Ş. ("Tekfen Group") signed an agreement as of 8 May 2006, that anticipated Eurobank EFG to purchase Tekfen Group's 70% share in Tekfenbank and Tekfen Leasing which is fully owned by Tekfenbank; where Tekfen Group retained its strategic partnership by keeping all remaining shares. On 23 February 2007, the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. ("Eurobank EFG Holding") was approved by the BRSA and the sale was completed after the share transfer on 16 March 2007.

Under the agreement regarding the sale of Eurobank Ergasias S.A.'s Turkey operations to Burgan Bank K.P.S.C., 70% of the bank shares belonging to Eurobank EFH Holding (Luxemburg) S.A. and 29,26% of the shares belonging to Tekfen Holding A.Ş. are bought by Burgan Bank K.P.S.C. in 7 December 2012 in accordance with the Banking Regulation and Supervision Agency's authorization, and then 99,26% of the bank shares are turned over to Burgan Bank K.P.S.C in 21 December 2012.

At the Extraordinary Board of Directors meeting on 23 January 2013, the title of the bank has been decided to change from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş., and has been registered to the Turkish Trade Registry as of 25 January 2013.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION (Continued)

II. EXPLANATION ABOUT THE BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BANK BELONGS TO:

The Bank’s registered capital ceiling is 2 million TL. Following the Board of Directors’ decisions dated 15 December 2017, 14 January 2018 and 21 February 2018 the Bank has decided to increase its capital by receiving a partial capital payment amounting to 285 million TL from the Bank’s main associate, Burgan Bank K.P.S.C. This increase has been conducted under the registered capital ceiling and the amount has been transferred to the Bank’s accounts at 27 December 2017. The BRSA investigations and permissions regarding the payment have been completed, and the related amount has been reflected to the Bank’s financial statements as of 31 December 2017. The legal procedures regarding the rights of priority of other shareholders are still continuing. There is no change in the Shareholder structure of the Bank other than the increase in capital.

Founded in 1977, Burgan Bank K.P.S.C. ,as an affiliate of KIPCO Group (Kuwait Projects Company), one of the largest holding groups of the Middle East and North Africa (MENA) region, is among the significant banking groups in the region. Besides Kuwait, Burgan Bank Group also operates as a main shareholder with its affiliate banks in Algeria (Gulf Bank Algeria), Iraq (Bank of Baghdad), and Tunisia (Tunis International Bank).

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (Continued)

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE BANK THEY POSSESS:

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors:	Mehmet Nazmi Erten	Chairman of Board of Directors	Undergraduate
Board of Directors Members:	Faisal M.A. Al Radwan	Vice President	Undergraduate
	Eduardo Eguren Linsen	Member	Undergraduate
	Majed E.A.A. Al Ajeel	Member	Graduate
	Adrian Alejandro Gostuski	Member	Graduate
	Mehmet Alev Göçmez	Member	Graduate
	Halil Cantekin	Member	Undergraduate
	Osama T. Al Ghoussein	Member	Undergraduate
	Ali Murat Dinç	Member and General Manager	Graduate
General Manager:	Ali Murat Dinç	Member and General Manager	Graduate
Vice General Managers:	Esra Aydın	Operations & Management Services	Undergraduate
	Mutlu Akpara	Treasury, Capital Market and Financial Institutions	Graduate
	Hüseyin Cem Öge	Corporate Banking	Graduate
	Cihan Vural	Internal Systems	Undergraduate
	Rasim Levent Ergin	Human Resources	Graduate
	Emine Pınar Kuriş	Retail Banking	PHD
	Suat Kerem Sözügüzel	Commercial Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Mehmet Yalçın	Financial Affairs	Undergraduate
Audit Committee:	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Osama T. Al Ghoussein	Member	Undergraduate

There is no share of the above individuals in the Bank.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (Continued)

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES:

Name/Commercial title	Share Amounts	Share percentage	Paid-in Capital	Unpaid portion
Burgan Bank K.P.S.C.	1.178.324	99,44%	99,44%	-

Based on the Principal Agreement, the Bank has 1 million founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

V. INFORMATION ON THE BANK'S SERVICE TYPE AND FIELD OF OPERATIONS:

As of 31 December 2017, the Bank has 43 branches operating in Turkey (31 December 2016: 49). The Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2017, the Bank has 978 (31 December 2016: 994) employees.

VI. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES:

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance sheet (Statement of financial position)
- II. Statement of off balance sheet contingencies and commitments
- III. Statement of income
- IV. Statement of income and expense items accounted under shareholders' equity
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flow
- VII. Statement of profit distribution

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)

AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. BALANCE SHEET	ASSETS	Note (Section Five)	(31/12/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK		I-a	1.034.425	992.902	2.027.327	161.250	1.157.611	1.318.861
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)		I-b	80.309	83.557	163.866	73.053	51.786	124.839
2.1 Trading Financial Assets			80.309	83.557	163.866	73.053	51.786	124.839
2.1.1 Government Debt Securities			2.342	2.968	5.310	11.975	840	12.815
2.1.2 Share Certificates			-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets			77.967	80.458	158.425	61.078	50.111	111.189
2.1.4 Other Marketable Securities			-	131	131	-	835	835
2.2 Financial Assets Designated at Fair Value through Profit or Loss			-	-	-	-	-	-
2.2.1 Government Debt Securities			-	-	-	-	-	-
2.2.2 Share Certificates			-	-	-	-	-	-
2.2.3 Loans			-	-	-	-	-	-
2.2.4 Other Marketable Securities			-	-	-	-	-	-
III. BANKS		I-c	16	157.301	157.317	22	239.636	239.658
IV. MONEY MARKETS			-	-	-	-	-	-
4.1 Interbank Money Market Placements			-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market			-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements			-	-	-	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)		I-d	155.897	95.695	251.592	346.982	168.612	515.594
5.1 Share Certificates			4.225	-	4.225	6.849	-	6.849
5.2 Government Debt Securities			150.952	95.695	246.647	338.714	92.465	431.179
5.3 Other Marketable Securities			720	-	720	1.419	76.147	77.566
VI. LOANS		I-e	5.828.071	7.434.460	13.262.531	4.620.245	6.064.455	10.684.700
6.1 Loans			5.664.715	7.434.460	13.099.175	4.508.446	6.064.455	10.572.901
6.1.1 Loans to Bank's Risk Group			21.714	6	21.720	106	7	113
6.1.2 Government Debt Securities			-	-	-	-	-	-
6.1.3 Other			5.643.001	7.434.454	13.077.455	4.508.340	6.064.448	10.572.788
6.2 Loans under Follow-up			345.661	-	345.661	231.217	-	231.217
6.3 Specific Provisions (-)			182.305	-	182.305	119.418	-	119.418
VII. FACTORING RECEIVABLES		I-e	6	-	6	123	704	827
VIII. HELD-TO-MATURITY SECURITIES (Net)		I-f	-	171.218	171.218	-	161.607	161.607
8.1 Government Debt Securities			-	171.218	171.218	-	161.607	161.607
8.2 Other Marketable Securities			-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)		I-g	-	-	-	-	-	-
9.1 Consolidated Based on Equity Method			-	-	-	-	-	-
9.2 Unconsolidated			-	-	-	-	-	-
9.2.1 Financial Investments in Associates			-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates			-	-	-	-	-	-
X. SUBSIDIARIES (Net)		I-h	256.972	-	256.972	237.171	-	237.171
10.1 Unconsolidated Financial Subsidiaries			256.972	-	256.972	237.171	-	237.171
10.2 Unconsolidated non-Financial Subsidiaries			-	-	-	-	-	-
XI. JOINT VENTURES (Net)		I-i	-	-	-	-	-	-
11.1 Consolidated Based on Equity Method			-	-	-	-	-	-
11.2 Unconsolidated			-	-	-	-	-	-
11.2.1 Financial Joint Ventures			-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures			-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)		I-j	-	-	-	-	-	-
12.1 Financial Lease Receivables			-	-	-	-	-	-
12.2 Operational Lease Receivables			-	-	-	-	-	-
12.3 Other			-	-	-	-	-	-
12.4 Unearned Income (-)			-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS		I-k	257.159	5.708	262.867	176.246	4.771	181.017
13.1 Fair Value Hedge			-	-	-	-	-	-
13.2 Cash Flow Hedge			257.159	5.708	262.867	176.246	4.771	181.017
13.3 Foreign Net Investment Hedge			-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)		I-l	55.377	-	55.377	58.999	-	58.999
XV. INTANGIBLE ASSETS (Net)		I-m	45.085	-	45.085	46.352	-	46.352
15.1 Goodwill			-	-	-	-	-	-
15.2 Other			45.085	-	45.085	46.352	-	46.352
XVI. INVESTMENT PROPERTY (Net)		I-n	-	-	-	-	-	-
XVII. TAX ASSET		I-o	-	-	-	1.463	-	1.463
17.1 Current Tax Asset			-	-	-	1.463	-	1.463
17.2 Deferred Tax Asset			-	-	-	-	-	-
XVIII. ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)		I-p	45.085	-	45.085	45.165	-	45.165
18.1 Held for Resale			45.085	-	45.085	45.165	-	45.165
18.2 Discontinued Operations			-	-	-	-	-	-
XIX. OTHER ASSETS		I-r	64.651	43.415	108.066	55.806	49.557	105.363
TOTAL ASSETS			7.823.053	8.984.256	16.807.309	5.822.877	7.898.739	13.721.616

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)

AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. BALANCE SHEET	LIABILITIES	Note (Section Five)	(31/12/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
I. DEPOSITS		II-a	3.516.584	5.411.531	8.928.115	2.853.924	5.455.909	8.309.833
1.1	Deposits of Bank's Risk Group		31.613	55.179	86.792	14.322	78.503	92.825
1.2	Other		3.484.971	5.356.352	8.841.323	2.839.602	5.377.406	8.217.008
II. TRADING DERIVATIVE FINANCIAL LIABILITIES		II-b	78.884	91.050	169.934	130.824	36.078	166.902
III. BORROWINGS		II-c	37.019	4.180.886	4.217.905	24.711	2.182.008	2.206.719
IV. MONEY MARKETS			1.206	198.953	200.159	212.082	185.428	397.510
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-	4.502	-	4.502
4.3	Funds Provided Under Repurchase Agreements		1.206	198.953	200.159	207.580	185.428	393.008
V. MARKETABLE SECURITIES ISSUED (Net)		II-d	-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI. FUNDS			-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES			40.147	232.644	272.791	43.643	159.287	202.930
VIII. OTHER LIABILITIES		II-e	49.352	4.508	53.860	61.368	5.905	67.273
IX. FACTORING PAYABLES			-	-	-	-	-	-
X. LEASE PAYABLES (Net)		II-f	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES		II-g	40.807	12.560	53.367	27.528	1.958	29.486
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		40.807	12.560	53.367	27.528	1.958	29.486
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS		II-h	103.627	89.083	192.710	79.963	73.726	153.689
12.1	General Loan Loss Provision		42.716	64.850	107.566	36.460	53.785	90.245
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		33.084	-	33.084	26.123	-	26.123
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		27.827	24.233	52.060	17.380	19.941	37.321
XIII. TAX LIABILITY		II-i	65.411	-	65.411	37.238	-	37.238
13.1	Current Tax Liability		31.930	-	31.930	23.442	-	23.442
13.2	Deferred Tax Liability		33.481	-	33.481	13.796	-	13.796
XIV. PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)		II-j	-	-	-	-	-	-
14.1	Held for Resale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS		II-k	-	1.140.582	1.140.582	-	1.057.478	1.057.478
XVI. SHAREHOLDERS' EQUITY		II-l	1.506.245	6.230	1.512.475	1.097.572	(5.014)	1.092.558
16.1	Paid-in Capital		1.185.000	-	1.185.000	900.000	-	900.000
16.2	Capital Reserves		46.635	6.230	52.865	32.810	(5.014)	27.796
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(2.366)	(143)	(2.509)	(872)	(6.999)	(7.871)
16.2.4	Tangible Assets Revaluation Reserve		18.075	-	18.075	16.127	-	16.127
16.2.5	Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging Reserves (Effective portion)		33.883	6.373	40.256	19.930	1.985	21.915
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(2.957)	-	(2.957)	(2.375)	-	(2.375)
16.3	Profit Reserves		164.762	-	164.762	93.089	-	93.089
16.3.1	Legal Reserves		21.342	-	21.342	20.178	-	20.178
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		143.420	-	143.420	72.911	-	72.911
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		109.848	-	109.848	71.673	-	71.673
16.4.1	Prior Years' Income/ (Loss)		-	-	-	-	-	-
16.4.2	Current Year Income/ (Loss)		109.848	-	109.848	71.673	-	71.673
TOTAL LIABILITIES			5.439.282	11.368.027	16.807.309	4.568.853	9.152.763	13.721.616

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEETS COMMITMENTS AT

31 DECEMBER 2017 AND 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. OFF-BALANCE SHEET		Note(Section Five)	(31/12/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		6.645.802	30.744.933	37.390.735	6.451.280	17.996.288	24.447.568
I.	GUARANTEES AND WARRANTIES	III-a-2-3	759.513	1.359.136	2.118.649	734.697	1.247.539	1.982.236
1.1	Letters of Guarantee		756.055	983.997	1.740.052	730.919	853.508	1.584.427
1.1.1	Guarantees Subject to State Tender Law		7.251	4.124	11.375	7.398	4.575	11.973
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		748.804	979.873	1.728.677	723.521	848.933	1.572.454
1.2	Bank Acceptances		3.430	104.336	107.766	3.750	126.967	130.717
1.2.1	Import Letter of Acceptance		3.430	104.336	107.766	3.750	126.967	130.717
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	234.673	234.673	-	256.635	256.635
1.3.1	Documentary Letters of Credit		-	234.673	234.673	-	256.635	256.635
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		28	-	28	28	-	28
1.8	Other Guarantees		-	36.130	36.130	-	10.429	10.429
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	III-a-1	566.692	143.459	710.151	665.226	392.275	1.057.501
2.1	Irrevocable Commitments		566.692	143.459	710.151	665.226	392.275	1.057.501
2.1.1	Asset Purchase and Sales Commitments		48.824	143.459	192.283	184.868	392.275	577.143
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		14.997	-	14.997	14.997	-	14.997
2.1.4	Commitments for Loan Limits		149.606	-	149.606	145.005	-	145.005
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		334.480	-	334.480	302.867	-	302.867
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		18.777	-	18.777	17.475	-	17.475
2.1.10	Promotion Commitments for Credit Cards and Banking Services		8	-	8	14	-	14
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	III-b	5.319.597	29.242.338	34.561.935	5.051.357	16.356.474	21.407.831
3.1	Hedging Derivative Financial Instruments		790.978	2.357.639	3.148.617	587.700	1.693.496	2.281.196
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		790.978	2.357.639	3.148.617	587.700	1.693.496	2.281.196
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.528.619	26.884.699	31.413.318	4.463.657	14.662.978	19.126.635
3.2.1	Forward Foreign Currency Buy/Sell Transactions		776.137	1.127.092	1.903.229	329.245	686.909	1.016.154
3.2.1.1	Forward Foreign Currency Transactions-Buy		467.722	489.075	956.797	205.259	297.660	502.919
3.2.1.2	Forward Foreign Currency Transactions-Sell		308.415	638.017	946.432	123.986	389.249	513.235
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.324.656	19.710.327	21.034.983	2.787.163	9.546.973	12.334.136
3.2.2.1	Foreign Currency Swap-Buy		298.885	4.998.204	5.297.089	1.379.714	1.201.567	2.581.281
3.2.2.2	Foreign Currency Swap-Sell		1.025.771	4.321.733	5.347.504	967.449	1.662.682	2.630.131
3.2.2.3	Interest Rate Swap-Buy		-	5.195.195	5.195.195	-	220.000	3.341.362
3.2.2.4	Interest Rate Swap-Sell		-	5.195.195	5.195.195	-	220.000	3.341.362
3.2.3	Foreign Currency, Interest rate and Securities Options		2.427.826	6.047.280	8.475.106	1.347.249	4.429.096	5.776.345
3.2.3.1	Foreign Currency Options-Buy		1.259.407	2.980.038	4.239.445	734.860	2.151.650	2.886.510
3.2.3.2	Foreign Currency Options-Sell		1.168.419	3.067.242	4.235.661	612.389	2.277.446	2.889.835
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		34.296.351	26.361.559	60.657.910	29.670.012	19.941.092	49.611.104
IV.	ITEMS HELD IN CUSTODY		1.552.890	156.878	1.709.768	1.331.012	136.089	1.467.101
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		402.489	61.908	464.397	277.886	31.344	309.230
4.3	Cheques Received for Collection		1.126.344	63.782	1.190.126	985.735	85.790	1.071.525
4.4	Commercial Notes Received for Collection		24.057	23.000	47.057	67.391	18.955	86.346
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		-	8.188	8.188	-	-	-
V.	PLEDGES RECEIVED		32.743.461	26.203.434	58.946.895	28.339.000	19.802.011	48.141.011
5.1	Marketable Securities		1.031	1.031	2.062	-	-	-
5.2	Guarantee Notes		21.097.082	12.190.553	33.287.635	18.791.720	9.532.145	28.323.865
5.3	Commodity		1.022.137	7.706	1.029.843	963.418	9.139	972.557
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		9.986.136	11.113.311	21.099.447	8.098.494	7.156.032	15.254.526
5.6	Other Pledged Items		637.075	2.891.864	3.528.939	482.718	3.104.695	3.587.413
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	1.247	1.247	-	2.992	2.992
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		40.942.153	57.106.492	98.048.645	36.121.292	37.937.380	74.058.672

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED

31 DECEMBER 2017 AND 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III.	INCOME STATEMENT	Note (Section Five)	01/01/2017-31/12/2017	01/01/2016-31/12/2016
	INCOME AND EXPENSE ITEMS			
I.	INTEREST INCOME	IV-a	1.445.845	1.143.862
1.1	Interest on Loans		1.132.453	831.659
1.2	Interest Received from Reserve Requirements		20.438	9.570
1.3	Interest Received from Banks		25.248	1.969
1.4	Interest Received from Money Market Transactions		3.152	7.574
1.5	Interest Received from Marketable Securities Portfolio		39.338	39.864
1.5.1	Trading Financial Assets		2.709	3.247
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		29.327	34.778
1.5.4	Held-to-maturity Investments		7.302	1.839
1.6	Financial Lease Income		-	-
1.7	Other Interest Income	IV-1	225.216	253.226
II.	INTEREST EXPENSE (-)	IV-b	1.002.944	776.088
2.1	Interest on Deposits		567.753	399.605
2.2	Interest on Funds Borrowed		154.908	95.467
2.3	Interest Expense on Money Market Transactions		12.660	16.724
2.4	Interest on Securities Issued		-	4.383
2.5	Other Interest Expenses	IV-1	267.623	259.909
III.	NET INTEREST INCOME (I + II)		442.901	367.774
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		31.016	23.180
4.1	Fees and Commissions Received		39.499	28.702
4.1.1	Non-cash Loans		18.450	14.417
4.1.2	Other	IV-1	21.049	14.285
4.2	Fees and Commissions Paid (-)		8.483	5.522
4.2.1	Non-cash Loans (-)		40	22
4.2.2	Other (-)	IV-1	8.443	5.500
V.	DIVIDEND INCOME	IV-c	328	328
VI.	TRADING INCOME/(LOSS) (Net)	IV-d	17.448	22.672
6.1	Trading Gains/(Losses) on Securities		4.079	6.025
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		18.387	9.911
6.3	Foreign Exchange Gains/(Losses)		(5.018)	6.736
VII.	OTHER OPERATING INCOME	IV-e	14.607	9.254
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		506.300	423.208
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-f	82.500	69.492
X.	OTHER OPERATING EXPENSES (-)	IV-g	301.299	267.380
XI.	NET OPERATING INCOME/(LOSS) (VIII+IX+X)		122.501	86.336
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		17.168	5.026
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-h	139.669	91.362
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-i	29.821	19.689
16.1	Current Tax Provision		14.431	6.478
16.2	Deferred Tax Provision		15.390	13.211
XVII.	NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)	IV-j	109.848	71.673
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-Current Assets Held for Resale		-	-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other Income from Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expense from Non-Current Assets Held for Resale		-	-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other Expenses from Discontinued Operations		-	-
XX.	INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII.	NET INCOME/(LOSS) (XVII+XXII)	IV-k	109.848	71.673
	Earnings/(Loss) per share (1.000 nominal in TL full)		1.221	0.796

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED STATEMENTS OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV.	STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	31/12/2017	31/12/2016
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	5.816	(8.130)
II.	REVALUATION DIFFERENCES OF TANGIBLE ASSETS	150	1.256
III.	REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV.	FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	24.217	15.874
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS(*)	(828)	215
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	694	1.011
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(4.980)	(1.843)
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	25.069	8.383
XI.	CURRENT PERIOD INCOME/LOSS	109.848	71.673
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	1.946	3.634
11.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4	Other	107.902	68.039
XII.	TOTAL (INCOME)/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	134.917	80.056

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
	PRIOR PERIOD 31/12/2016	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Shareholders' Equity
I. Prior Period End Balance(31/12/2015)	II-I		900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502
II. Corrections according to TAS 8			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections of Errors			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Amendments in Accounting Policies			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I + II)			900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502
Changes in the Period																		
IV. Increase/Decrease due to the Merger			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences			-	-	-	-	-	-	-	-	-	-	(6.427)	-	-	-	-	(6.427)
VI. Hedging Reserves (Effective Portion)			-	-	-	-	-	-	-	-	-	-	-	-	-	12.699	-	12.699
6.1 Cash Flow Hedge			-	-	-	-	-	-	-	-	-	-	-	-	-	12.699	-	12.699
6.2 Foreign Investment for Purpose of Hedge			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation Differences of Tangible Assets			-	-	-	-	-	-	-	-	-	-	-	1.005	-	-	-	1.005
VIII. Revaluation Differences of Intangible Assets			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign Exchange Difference			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes due to the Disposal of Assets			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes due to the Reclassification of the Assets			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effects of Changes in Equity of Investments in Associates			-	-	-	-	-	-	-	-	-	-	934	-	-	-	-	934
XIV. Capital Increase			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Resources			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to Share Capital			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other			-	-	-	-	-	-	-	172	-	-	-	-	-	-	-	172
XIX. Current Year Income or Loss			-	-	-	-	-	-	-	-	71.673	-	-	-	-	-	-	71.673
XX. Profit Distribution			-	-	-	-	1.071	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-
20.1 Dividend Paid			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves			-	-	-	-	1.071	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-
20.3 Other			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+...+XX)			900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
CURRENT PERIOD 31/12/2017	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Shareholders' Equity	
I. Prior Period End Balance(31/12/2016)	II-I	900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	
Changes in the Period																		
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	3.795	-	-	-	-	3.795	
IV. Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	18.341	-	18.341	
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	18.341	-	18.341	
4.2 Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	1.948	-	-	-	1.948	
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	1.567	-	-	-	-	1.567	
XII. Capital Increase		285.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285.000	
12.1 Cash		285.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285.000	
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Other		-	-	-	-	-	-	-	(582)	-	-	-	-	-	-	-	(582)	
XVII. Current Year Income or Loss		-	-	-	-	-	-	-	-	109.848	-	-	-	-	-	-	109.848	
XVIII. Profit Distribution		-	-	-	-	1.164	-	70.509	-	(71.673)	-	-	-	-	-	-	-	
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.2 Transfers to Reserves		-	-	-	-	1.164	-	70.509	-	(71.673)	-	-	-	-	-	-	-	
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (I+ ...+XVIII)		1.185.000	-	-	-	21.342	-	143.420	(2.957)	109.848	-	(2.509)	18.075	-	40.256	-	1.512.475	

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI. CASH FLOW STATEMENT		Note	(31/12/2017)	(31/12/2016)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		163.984	(18.843)
1.1.1	Interest Received		1.356.614	1.032.880
1.1.2	Interest Paid		(949.841)	(766.221)
1.1.3	Dividend Received		328	328
1.1.4	Fees and Commissions Received		31.885	27.109
1.1.5	Other Income		-	-
1.1.6	Collections from Previously Written-off Loans and Other Receivables		59.567	80.052
1.1.7	Payments to Personnel and Service Suppliers		(146.315)	(137.790)
1.1.8	Taxes Paid	VI-b	(22.125)	(7.941)
1.1.9	Other		(166.129)	(247.260)
1.2	Changes in Operating Assets and Liabilities		(79.352)	(405.501)
1.2.1	Net (Increase)/Decrease in Trading Securities		7.323	(2.826)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Due from Banks		(20.727)	(186.213)
1.2.4	Net (Increase)/Decrease in Loans		(2.607.496)	(2.466.963)
1.2.5	Net (Increase)/Decrease in Other Assets		2.855	(49.772)
1.2.6	Net Increase/(Decrease) in Bank Deposits		36.829	6.755
1.2.7	Net Increase/(Decrease) in Other Deposits		555.934	1.600.715
1.2.8	Net Increase/(Decrease) in Funds Borrowed		2.066.706	567.484
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	VI-b	(120.776)	125.319
I.	Net Cash Provided from Banking Operations		84.632	(424.344)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from Investing Activities		251.052	(59.584)
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(6.025)	(20.028)
2.4	Disposals of Property and Equipment		12.977	2.131
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(105.204)	(331.917)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		349.304	451.837
2.7	Cash Paid for Purchase of Investment Securities		-	(161.607)
2.8	Cash Obtained from Sale of Investment Securities		-	-
2.9	Other		-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities		285.000	527.880
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	677.880
3.2	Cash Used for Repayment Of Funds Borrowed and Securities Issued		-	(150.000)
3.3	Issued Capital Instruments		285.000	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(18.947)	38.302
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		601.737	82.254
VI.	Cash and Cash Equivalents at Beginning of the Period	VI-a	634.416	552.162
VII.	Cash and Cash Equivalents at end of the Period	VI-a	1.236.153	634.416

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION STATEMENTS AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VII. PROFIT APPROPRIATION STATEMENT	(31/12/2017)(*)	(31/12/2016)(**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	139.669	91.362
1.2 TAXES AND DUTIES PAYABLE (-)	29.821	19.689
1.2.1 Corporate Tax (Income tax)	14.431	6.478
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	15.390	13.211
A. NET INCOME FOR THE YEAR (1.1-1.2)	109.848	71.673
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	1.164
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	70.509
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	70.509
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) TL 17.168 of net profit, represents net profit/loss of subsidiaries which the Bank applies equity accounting method under the principals of TAS 27 and such amount cannot be subject to profit distributions. Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(**) Contains "Profit Appropriation Statement" approved by the Bank's General Assembly held on 30 March 2017, TL 5.026 includes the effects of TAS 27 standard.

The accompanying explanations and notes form an integral part of these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION:

- a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures numbered 5411 Regarding Banks' Accounting Application and Keeping Documents:**

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments until 31 December 2004, except for the financial assets, liabilities and buildings which are carried at fair value.

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

Accounting policies and procedures, tracked during the preparation of financial statements, are determined and applied in accordance with regulations, communiqué, declarations and circulars published related to accounting and financial reporting principles by Banking Regulation and Supervision Authority (BRSA) and the principles existing in scope of TAS/TFRS if there are no specific arrangement made by the BRSA. The aforementioned accounting policies are coherent with those applied in financial statements prepared related to accounting period ending on 31 December 2016 except for the amendment which is explained under "Remarks regarding amendments in demonstration of financial statements and accounting policies".

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued):

The aforementioned accounting policies and valuation principles are explained between footnotes numbered II and XXVIII below. The new and amended TAS/IFRS provisions effective as of 1 January 2017 did not have a significant impact on the accounting policies, financial position and performance of the Bank. TAS/IFRS amendments, published but not entered into force as of effective date of financial statements changes, (extracted TAS 9 financial instruments standard which will be effective as of 1 January 2018) shall not have a significant impact on the accounting policies, financial position and performance of the Bank. The effect of IFRS 9 financial instruments standards will increase the amount of loan provisions.

b. Information on accounting policies and changes in financial statements:

Communique on "TAS 27 Separate Financial Statements" standard, which is in force in order to be applied for accounting periods after 31 December 2012 via Public Oversight Accounting and Auditing Standards Authority (POA) website and published in Official Gazette dated 28 October 2011 and numbered 28098, has entered into force through making amendments to be applied for accounting periods after 1 January 2016 with "Communique on amending the Communique on TAS 27 Separate Financial Statements" (Communique) published in Official Gazette dated 9 April 2015 and numbered 29321.

Entities have the opportunity to recognize their investments in associates, subsidiaries and joint ventures with equity method in their separate financial statements in line with the amendment while it is stated for entities preparing separate financial statements before the amendment in communique to recognize their investments in associates, subsidiaries and joint ventures in accordance with cost value or TAS 39 Financial Instruments standard.

The Bank recognized its associates, in which it has direct or indirect shares, according to equity method in accordance with the Communique having a permission to be applied earlier while preparing its consolidated financial tables with the 4th quarter of 2015 in conjunction with the approval letter of Banking Regulation and Supervision Authority (BRSA) dated 20 July 2015 and realized the implementation retrospectively in the framework of TAS 8 Accounting Policies, Amendments and Errors in Accounting Estimates standard.

Burgan Yatırım Menkul Değerler A.Ş. and its subsidiaries which are Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai, and Burgan Finansal Kiralama A.Ş., whose shares are directly or indirectly owned by the Bank, are subsidiaries included in scope of full consolidation in consolidated financial statements and recognized according to equity method in separate financial statements in accordance with the Communique.

c. Explanation for convenience translation into English:

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

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS:

The overall strategy of the Bank of using financial instruments is to sustain an optimal balance between the yield of the financial instruments and their risks. The most important funding source of the Bank is deposits. The Bank can also sustain a lengthened liability structure by using long-term borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities being held at minimum levels and the exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Bank's foreign currency bid rates prevailing at the balance sheet date and related gains and losses arising from these translations are recognized in the income statement under the account of "Foreign exchange gains or losses".

As of 31 December 2017, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,7719 and TL 4,5155 and TL for USD and EURO respectively.

If the functional currency of the Group is different from its reporting currency, all assets and liabilities in the reporting currency are translated using the foreign exchange rate at the balance sheet date, and the income and expenses in the income statement are translated using the average foreign exchange rate, which is the cumulative effect, in which case the income and expenses are translated at the exchange rates prevailing at the date of the transaction) and the resulting foreign currency translation differences are presented as a separate item under equity. The currency of group firms are not the currency of a high inflationary economy.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES:

Unconsolidated financial associates are recognized according to equity method in the framework of TAS 28 Communique on Investments in Subsidiaries and Associates with respect to TAS27 Separate Financial Statements Communique in unconsolidated financial statements. Associates, which were recognized with cost value in the unconsolidated financial statement previously, are recognized according to equity method as of 31 December 2015 along with the year-end of 2015.

Equity method is the recognition treatment which prescribes to increase or decrease the book value of share included in associate from the change amount occurring in the period in the equity of participated partnership as the share falling to participant and deduction of dividends and associate amounts from the value which is changed in the aforementioned manner.

The Bank has no joint ventures as of 31 December 2017 and 31 December 2016.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Bank are currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Bank classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("TAS 39"). Although certain derivative transactions provide effective economic hedges under the Bank's risk management position, in accordance with TAS 39 they are treated as derivatives "Held-for-trading".

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. The accounting method of the income or loss arising from derivative instruments depends on the derivative being used for hedging purposes or not and depends on the type of the item being hedged.

"Financial assets at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Financial assets at fair value through profit or loss" in "Trading derivative financial instruments" and if the fair value difference is negative, it is disclosed under "Trading derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted under "Trading income/loss" in the income statement.

The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models. Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TAS 39 if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and embedded derivative are closely related, embedded derivatives are not separated from the host contract and are accounted according to the standard applied to the host contract.

As of 31 December 2017, The Parent Bank applies cash flow hedge accounting through cross and interest currency swaps to protect against changing in interest rate of FC deposit that is the average maturity of up to 3 months. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized. In case it is one part of hedging strategy, the renewal of hedging instrument or transferring to another hedging instrument is not eliminated the hedging situation in accordance with TAS 39.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognised in the income statement on an accrual basis by using the effective interest method. The Bank ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Bank classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognised at the "settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment.

a. Financial assets at fair value through profit or loss:

This category has two subcategories: "Trading financial assets" and "Financial assets designated at fairvalue through profit/loss at initial recognition".

Trading financial assets are financial assets which are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aimed at short-term profit making.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are not designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV of this section.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS(Continued):

b. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognised at cost which is considered as their fair value. The fair values of held-to-maturity financial assets on initial recognition are either the transaction prices at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at "Amortised cost" using the Effective Interest Method after their recognition.

Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

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

c. Loans and receivables:

Loans and receivables are non-derivative financial assets held for trading, whose fair value differences are reflected in profit or loss, are not defined as available-for-sale, are fixed or determinable and are not quoted on an active market. Loans and receivables are initially recognized at cost and are subsequently measured at amortized cost using the effective interest rate method. Fees and other similar charges related to the assets acquired as collateral are not considered as part of the transaction cost and are reflected in the expense accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No.26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjuncture on the basis of the prudence principle are taken into consideration by the Bank in determining the estimates.

Provision expenses are deducted from the net income of the year. If there is a collection from a receivable that is provisioned previously, the amount is deducted from the "Specific Provisions" account and recorded as an income to "Provision for Loan Losses and Other Receivables" shown as net with the provisions recorded in the year. Uncollectible receivables are written-off after all the legal procedures have been finalized.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

d. Available-for-sale financial assets:

Financial assets available-for-sale consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss" and non-derivative financial assets. Financial assets available-for-sale are recorded by adding transaction cost to acquisition cost reflecting the fair value of the financial asset.

After the recognition, financial assets available-for-sale are remeasured at fair value. Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

"Unrealised gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognised in the shareholders' equity as "Marketable Securities Valuation Reserve", until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. When calculating CPI Indexed government bonds' discounted values, cash flows calculated through CBRT's monthly expected CPI bulletin indices are used.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the effective interest method, or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and it is charged against the income for the year.

The principles for the accounting of provisions for loans are explained in detail in Note VII of this Section.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds Provided under Repurchase Agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the effective interest method.

Funds given against securities purchased under agreements ("Reverse repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the "effective interest method". The Bank has no securities lending transactions.

XI. EXPLANATIONS ON TANGIBLE ASSETS THAT ARE HELD FOR RESALE, DISCONTINUED OPERATIONS AND LIABILITIES REGARDING THOSE ASSETS:

Assets held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell. Held for sale assets are not amortized and presented separately in the financial statements. In order to classify an asset as held for sale, only when the sale is highly probable, experienced quite often and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale. Highly saleable condition requires a plan by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized 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 cancelling the plan is low. Various circumstances and conditions could extend the completion period of the sale more than one year. If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale.

The Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill

As of 31 December 2017, the Bank has no goodwill (31 December 2016: None).

b. Other intangible assets

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for value decreases, if any.

Intangibles are amortised over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit of the asset and differs from 3 years to 15 years.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

The Bank has adopted the "revaluation method" in accordance with the "Communiqué Regarding the Principles and Procedures for the Tangible Assets ("TAS 16")" for its buildings. Independent expert appraisal values are presented in the financial statements.

Depreciation is calculated over the cost of property and equipment using the straight-line method. The depreciation rates are stated below:

Buildings	2%
Movables, Movables Acquired by Financial Leasing	2-50%

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated "Recoverable amount", it is written down to its "Recoverable amount" and the provision for the diminution in value is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the "lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset.

Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "Provision for value decrease" is recognised. Liabilities arising from the leasing transactions are included in "Financial Lease Payables" on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Bank does not provide financial leasing services as a "Lessor".

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities except for the specific and general provisions recognised for loans and other receivables are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a "Contingent" liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Bank has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Income and Expense Items Accounted in Equity" and presented in "Other Reserves" item in the Shareholders Equity section.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

Many clauses of Corporate Tax Law No.5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% for 2017 (2016: 20%). The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

In accordance with the Temporary Article 10 and Article 32 paragraph 1 added to the Corporate Tax Law at 05 December 2017, the Corporate Tax rate which was 20% will be applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties before 05.12.2017, the 50% portion of the capital gains derived from the sale of equity investments and immovable properties after 05.12.2017 are tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for 5 years. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax:

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

XIX. EXPLANATIONS ON BORROWINGS:

The Bank's fund resources in essence consist of borrowing from foreign financial institutions, issued securities and money market debt.

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" using the effective interest method.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Transaction costs regarding the issuance of share certificates are accounted under shareholders' equity after eliminating the tax effects.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the "Off-balance sheet commitments".

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2017, the Bank has no government grants (31 December 2016: None).

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code ("TCC") the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

ACCOUNTING POLICIES (Continued)

XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	31 December 2017	31 December 2016
Net Income / (Loss) to be Appropriated to Ordinary Shareholders	109.848	71.673
Weighted Average Number of Issued Ordinary Shares (Thousand)	90.000.000	90.000.000
Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)	1,221	0,796

Based on the Principal Agreement, the Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect to bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

XXV. EXPLANATIONS ON RELATED PARTIES:

Parties defined in Article 49 of the Banking Law No.5411, Bank's senior management and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note V of Section Five.

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

Operational field is distinguishable section of the Bank that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note XIII in Section Four.

XXVIII. RECLASSIFICATIONS:

None.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

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

As of 31 December 2017 Bank's total capital has been calculated as TL 2.650.685, Capital adequacy ratio is 19,60%. As of 31 December 2016, Bank's total capital amounted to TL 2.153.671, Capital adequacy ratio was 17,66% calculated pursuant to former regulations.

a. Information about total capital:

	Current Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.185.000		900.000	
Share issue premiums	-		-	
Reserves	164.946		93.273	
Gains recognized in equity as per TAS	60.036		39.053	
Profit	109.848		71.673	
Current Period Profit	109.848		71.673	
Prior Period Profit	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-		-	
Common Equity Tier 1 Capital Before Deductions	1.519.830		1.103.999	
Deductions from Common Equity Tier 1 Capital	-		-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	7.355		11.441	
Improvement costs for operating leasing	15.642		15.454	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	35.918	44.897	27.682	46.136
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	40.256		21.915	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-		-	
Gains arising from securitization transactions	-		-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Direct and indirect investments of the Bank in its own Common Equity	-		-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-		-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-		-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-		-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-		-	
Excess amount arising from mortgage servicing rights	-		-	
Excess amount arising from deferred tax assets based on temporary differences	-		-	
Other items to be defined by the BRSA	-		-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-		-	
Total Deductions From Common Equity Tier 1 Capital	99.171		76.492	
Total Common Equity Tier 1 Capital	1.420.659		1.027.507	

(*) In this section, the account that are liable to the temporary articles of "Regulation on Equities of Banks" which will be considered at the end of the transition period, is shown.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL				
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-	-	-
Debt instruments and premiums approved by BRSA	-	-	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-	-	-
Additional Tier I Capital before Deductions	-	-	-	-
Deductions from Additional Tier I Capital	-	-	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-	-	-
Other items to be defined by the BRSA	-	-	-	-
Transition from the Core Capital to Continue to deduce Components	-	-	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	8.979	-	18.454	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-	-	-
Total Deductions From Additional Tier I Capital	-	-	-	-
Total Additional Tier I Capital	-	-	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1.411.680	-	1.009.053	-
TIER II CAPITAL	-	-	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	1.131.570	-	1.055.760	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	107.566	-	90.245	-
Tier II Capital Before Deductions	1.239.136	-	1.146.005	-
Deductions From Tier II Capital	-	-	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	131	-	835	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
Total Deductions from Tier II Capital	131	-	835	-
Total Tier II Capital	1.239.005	-	1.145.170	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.650.685	-	2.154.223	-
Deductions from Total Capital	-	-	552	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-	552	-
Other items to be defined by the BRSA (-)	-	-	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-	-	-
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL				
Total Capital	2.650.685		2.153.671	
Total risk weighted amounts	13.526.423		12.193.142	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	10,50		8,43	
Tier I Capital Adequacy Ratio (%)	10,44		8,28	
Capital Adequacy Ratio (%)	19,60		17,66	
BUFFERS				
Total buffer requirement (a+b+c)	1,250		0,625	
a.Capital conservation buffer requirement (%)	1,250		0,625	
b.Bank specific counter-cyclical buffer requirement (%)	-		-	
c. Systematic significant buffer (%)	-		-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,00		3,93	
Amounts below the Excess Limits as per the Deduction Principles				
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital				
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Remaining mortgage servicing rights	-		-	
Amount arising from deferred tax assets based on temporary differences	-		-	
Limits related to provisions considered in Tier II calculation	17.587		15.650	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)				
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	107.566		90.245	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	107.566		90.245	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-		-	

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

I. EXPLANATIONS ON EQUITY (Continued):

b. Information on instruments related to equity estimation

Details on Subordinated Liabilities		
Issuer	Burgan Bank K.P.S.C	Burgan Bank K.P.S.C
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No
Eligible at stand-alone / consolidated	Stand Alone- Consolidated	Stand Alone- Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Loan	Subordinated Loan
Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date)	565.785	565.785
Par value of instrument (USD)	150.000	150.000
Accounting classification	Liability-Subordinated Loans-amortised cost	Liability-Subordinated Loans-amortised cost
Original date of issuance	6 December 2013	30 March 2016
Perpetual or dated	Dated	Dated
Original maturity date	10 Years	10 Years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends	3 Months	3 Months
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	LIBOR+3,75	LIBOR+3,75
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature	None	None
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
In compliance with article number 7 and 8 of "Own fund regulation"	None	None
Details of incompliance with article number 7 and 8 of "Own fund regulation"	None	None

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

II. EXPLANATIONS ON CREDIT RISK:

Credit risk represents the potential financial loss that the Bank may incur as a result of defaults or non-fulfillment of the loan agreements obligations of counterparties.

In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the rating procedures. Main criteria are geographical and sectoral concentrations. The sectoral concentrations for loans are monitored closely in accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored on a regular basis.

Credit rankings of borrowers that are present at loans and other accounts receivable accounts are monitored in accordance with the relevant legislation at regular intervals. Account status documents obtained for the issued credits are audited to make sure that the documents are meeting the requirements of the relevant legislation given that the cash transactions are exempted from this rule. As a result of regular monitoring of credit worthiness, credit limits have been changed when necessary. Loans and other receivables are collateralized considering the credit worthiness.

With respect to credit risk, debtor and debtor groups are subject to risk limitations envisaged in the Banking Law. There is no risk limitation in terms of geographical region while the sectoral concentration has been limited. Credit limits allocated are subject to revision at least once a year. The credit worthiness of the borrowers classified as "loans and other receivables under close monitoring" are revised at least twice a year due to Procedures and Principles regarding the regulation on determination of loans and other receivables. The credit limit is controlled by the main banking system and exceeding the specified limits is prohibited. When a revision becomes due, limits for which the credit worthiness has not been reviewed are suspended (except for cash provisions).

The Bank's credit policy approved by the Board of Directors is reviewed at regular intervals. In order to maintain the credit risk under control, there are additional limitations in the scope of Bank credit policies apart from the Banking Law limitations. As defined in the document of credit policy, authorization of credit extension has been delegated to branches, the headquarters and the credit committee. Constraints on the use of these delegations;

- Collaterals, accepted as guarantees of loans issued, are clearly stated at credit policy.
- The Bank does not provide loans for arms manufacturers and traders, religious organizations, gambling companies, media companies, political organizations, sport clubs and companies operating in nuclear industry. Exceptions could be evaluated by the head office.
- Credits issued to the companies founded within last two years, real estate development companies and financial institutions as well as the investment projects, cash credit guarantees and credits for covering bank's risks and refinancing loans are evaluated by headquarters and authorized upper management.
- Derivative products' limits cannot be allocated in Branch authorization. Foreign currency loans and counter party / external guarantees cannot be issued by branches.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

The loans are considered as impaired receivables after 90 days delay from the reporting period or the decision of the bank that the debtor loses its credibility. According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves," group II loans and 90 day-delayed loans are considered as non-performing loan and general provision is allocated.

Total amount of exposures after offsetting transactions before applying credit risk mitigations and the average exposure amounts that are classified under different risk groups and types for the relevant period:

Risk Group	Amount	Average
Claims on sovereigns and Central Banks	2.395.202	2.173.371
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	335	348
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	909.951	1.201.254
Claims on corporates	10.397.637	9.949.840
Claims included in the regulatory retail portfolios	666.441	361.144
Claims secured by residential property	4.438.134	4.030.298
Past due loans	163.356	119.492
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other Receivables	697.468	688.172
Total	19.668.524	18.523.919

The Bank's derivative transactions are mainly composed of foreign exchange and interest rate swaps money and foreign exchange options and forward transactions. The credit risks of these products are managed by deducting them from the company's credit limit, which is specified only for these types of transactions, in proportion to the term of the transaction. Market risk is managed by the Treasury, Capital market and Financial Institutions Group.

In forward transactions no type of coercive action outside of the other party's consent is taken.

Indemnified non-cash credits are subjected to the same risk weight as the credits which are past due date.

With regard to the credits renewed and re-structured with a new payment plan by the Bank, the method adopted is the one specified by the relevant legislation. Within the framework of risk management systems a risk separation is not practiced as to the maturity of the liabilities.

The Bank does not perform any kind of banking activity abroad.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

When evaluated within the context of the financial operations of other financial institutions acting as active participants in the international banking market, the Bank have acceptable level credit risk concentration.

In the current period, the share of the Bank's receivables due to cash loans extended to its top 100 and top 200 customers are 66%, 75% (31 December 2016: 67% and 77%) within the total cash loan portfolio.

In the current period, the share of the Bank's receivables due to non-cash loans extended to its top 100 and top 200 customers are 47%, 64% (31 December 2016: 49% and 63%) within the total non-cash loans portfolio.

In the current period, the share of the Bank's receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 64%, 74% (31 December 2016: 64% and 75%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2017, the Bank's general provision for loans amounting to TL 107.566 (31 December 2016: TL 90.245).

a. Information on types of loans and specific provisions:

31 December 2017	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Standard Loans	11.479.486	534.344	6.407	6	12.020.243
Loans under close monitoring	1.044.953	33.465	520	-	1.078.938
Non-performing loans	334.295	8.323	1.271	1.772	345.661
Specific provision (-)	175.691	4.655	1.130	829	182.305
Total	12.683.043	571.477	7.068	949	13.262.537

31 December 2016	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Standard Loans	9.654.645	237.324	4.824	8	9.896.801
Loans under close monitoring	657.589	17.740	779	819	676.927
Non-performing loans	225.038	3.138	1.234	1.807	231.217
Specific provision (-)	116.147	1.370	1.045	856	119.418
Total	10.421.125	256.832	5.792	1.778	10.685.527

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

b. Information on loans and receivables past due but not impaired

31 December 2017	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	1.025.557	43.440	712	-	1.069.709
Past due 30-60 days	14.176	11.292	152	-	25.620
Past due 60-90 days	41.379	5.092	42	-	46.513
Total	1.081.112	59.824	906	-	1.141.842

31 December 2016	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	645.201	19.105	779	819	665.904
Past due 30-60 days	20.270	6.236	-	-	26.506
Past due 60-90 days	28.079	2.369	-	-	30.448
Total	693.550	27.710	779	819	722.858

c. Information on debt securities, treasury bills and other bills:

31 December 2017	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
Baa1(*)	5.310	247.367	171.218	423.895
Total	5.310	247.367	171.218	423.895

(*) This table contains only Turkish Republic government bank bonds, bank bonds and treasury bills which is rated by Moody's.

31 December 2016	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
Baa3(*)	12.815	508.745	161.607	683.167
Total	12.815	508.745	161.607	683.167

(*) This table contains only Turkish Republic government bank bonds, bank bonds and treasury bills which is rated by Moody's.

d. Information on rating concentration:

The Bank evaluates its credit risk based on an internal rating system and the portfolio is classified from least probability of default to highest. The information about the concentration of cash and non cash loans which are classified with the rating system is presented below.

	31 December 2017	31 December 2016
Above average (%)	6,64	8,19
Average (%)	68,07	65,63
Below average (%)	21,49	24,11
Not rated (%)	3,80	2,06

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

e. Fair value of collaterals (loans and advances to customers):

31 December 2017	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	410.396	10.638	12	-	421.046
Non-performing loans	179.484	837	119	1.258	181.698
Total	589.880	11.475	131	1.258	602.744

31 December 2016	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	271.606	9.398	88	-	281.092
Non-performing loans	97.476	1.097	213	1.268	100.054
Total	369.082	10.495	301	1.268	381.146

Type of Collaterals	31 December 2017	31 December 2016
Real-estate mortgage	458.772	364.353
Pledge	12.565	12.917
Cash and cash equivalents	131.407	3.876
Total	602.744	381.146

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
31 December 2017																		
Domestic	3.511.977	-	285	-	-	46.962	8.661.811	538.359	4.149.017	163.356	-	-	-	-	-	-	526.310	17.598.077
EU Countries	-	-	-	-	-	661.399	14	39	-	-	-	-	-	-	-	-	-	661.452
OECD Countries (**)	-	-	-	-	-	3.608	-	-	-	-	-	-	-	-	-	-	-	3.608
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	7.932	-	9	-	-	-	-	-	-	-	-	-	7.941
Other Countries	-	-	-	-	-	132.256	171	18	-	-	-	-	-	-	-	-	-	132.445
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3.511.977	-	285	-	-	852.157	8.661.996	538.425	4.149.017	163.356	-	-	-	-	-	-	526.310	18.403.523

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

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

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued):

f. Profile of significant exposures in major regions (continued):

	Exposure Categories (*)																Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
31 December 2016																	
Domestic	2.023.524	-	952	-	-	455.449	7.776.340	196.496	3.759.132	111.799	-	-	-	-	-	469.329	14.793.021
EU Countries	-	-	-	-	-	597.915	260	37	1	-	-	-	-	-	-	-	598.213
OECD Countries (**)	-	-	-	-	-	673	-	-	-	-	-	-	-	-	-	-	673
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	4.829	1	2	-	-	-	-	-	-	-	-	4.832
Other Countries	-	-	-	-	-	1.245	131	15	-	-	-	-	-	-	-	-	1.391
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2.023.524	-	952	-	-	1.060.111	7.776.732	196.550	3.759.133	111.799	-	-	-	-	-	469.329	15.398.130

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

II. EXPLANATIONS ON CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

	Exposure Categories (*)																TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
Agriculture	-	-	-	-	-	-	31.968	2.808	3.835	1.155	-	-	-	-	-	-	22.880	20.060	42.940
Farming and Stockbreeding	-	-	-	-	-	-	28.792	2.176	2.735	1.131	-	-	-	-	-	-	20.805	17.203	38.008
Forestry	-	-	-	-	-	-	11	-	21	24	-	-	-	-	-	-	56	-	56
Fishery	-	-	-	-	-	-	3.165	632	1.079	-	-	-	-	-	-	-	2.019	2.857	4.876
Manufacturing	-	-	6	-	-	-	3.116.235	52.783	819.805	48.376	-	-	-	-	-	-	912.972	3.195.395	4.108.367
Mining and Quarrying	-	-	6	-	-	-	386.452	2.734	205.473	2.258	-	-	-	-	-	-	106.609	497.750	604.359
Production	-	-	-	-	-	-	2.122.246	48.774	533.432	46.118	-	-	-	-	-	-	800.609	2.011.269	2.811.878
Electricity, Gas and Water	-	-	-	-	-	-	607.537	1.275	80.900	-	-	-	-	-	-	-	5.754	686.376	692.130
Construction	-	-	-	-	-	-	2.278.995	9.178	1.668.154	59.134	-	-	-	-	-	-	1.279.818	2.774.779	4.054.597
Services	-	-	-	-	-	852.157	3.128.631	36.784	1.509.041	50.595	-	-	-	-	-	-	1.684.512	3.942.768	5.627.280
Wholesale and Retail Trade	-	-	-	-	-	-	1.100.580	26.571	302.259	32.456	-	-	-	-	-	-	574.901	890.932	1.465.833
Hotel, Food and Beverage services	-	-	-	-	-	-	338.337	2.360	816.160	3.500	-	-	-	-	-	-	46.316	1.140.844	1.187.160
Transportation and Telecom	-	-	-	-	-	-	373.269	3.372	183.724	6.835	-	-	-	-	-	-	170.102	397.098	567.200
Financial Institutions	-	-	-	-	-	852.157	910.708	807	41.078	1.095	-	-	-	-	-	-	809.975	995.870	1.805.845
Real Estate and Rental Services	-	-	-	-	-	-	353.286	2.352	146.513	681	-	-	-	-	-	-	33.361	488.773	522.134
Self-employment Services	-	-	-	-	-	-	7.621	190	3.467	-	-	-	-	-	-	-	10.956	322	11.278
Educational Services	-	-	-	-	-	-	16.730	119	3.221	3.695	-	-	-	-	-	-	13.370	10.395	23.765
Health and Social Services	-	-	-	-	-	-	28.100	1.013	12.619	2.333	-	-	-	-	-	-	25.531	18.534	44.065
Other	3.511.977	-	279	-	-	-	106.167	436.872	148.182	4.096	-	-	-	-	-	-	526.310	3.232.130	4.570.339
Total	3.511.977	-	285	-	-	852.157	8.661.996	538.425	4.149.017	163.356	-	-	-	-	-	-	526.310	7.132.312	18.403.523

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*)Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Bank

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

II. EXPLANATIONS ON CREDIT RISK (Continued):

h. Analysis of maturity-bearing exposures according to remaining maturities:

Risk classifications	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Claims on sovereigns and Central Banks	1.285	18.457	186.842	36.818	2.241.671
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	272	-	-	-	13
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	173.966	177.651	134.569	12.526	334.761
Claims on corporates	1.003.059	580.011	702.928	1.376.752	4.999.246
Claims included in the regulatory retail portfolios	21.812	17.451	23.125	62.233	413.802
Claims secured by residential property	110.566	124.944	118.972	209.386	3.585.151
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	1.310.960	918.514	1.166.436	1.697.715	11.574.644

i. Information about the risk exposure categories:

As explained in the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks," abovementioned receivables are calculated via Fitch Credit Rating Institution ratings. Fitch Credit Rating Institution ratings are taken into consideration when evaluating the entire class of receivables from central governments or central banks and receivable portfolios from financial institutions. The Fitch Rating assigned to a debtor is valid for all of the debtor's assets, no exception is made for a specific category of assets. A Credit Rating Institution which is not included in the institution's mapping table is not taken into consideration in the credit risk amount calculation process. For receivables that do not have a rating note, the regulations specified in the "Communiqué" are followed.

j. Exposures by risk weights:

Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.171.513	460.927	662.726	3.242.257	579.312	11.242.100	44.688	131
2. Exposures after Credit Risks Mitigation(*)	3.419.821	477.881	616.719	2.919.381	520.032	10.413.144	36.545	131

(*) The bank mitigates the credit risk using the simple financial collateral methods.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

k. Informations in terms of major sectors and type of counterparties:

Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	6.885	3.717	37	5.730
Farming and Stockbreeding	6.263	2.960	30	5.132
Forestry	566	21	-	542
Fishery	56	736	7	56
Manufacturing	131.296	344.479	3.267	82.920
Mining and Quarrying	14.869	18.008	25	12.611
Production	116.230	326.471	3.242	70.112
Electricity, Gas and Water	197	-	-	197
Construction	91.281	117.873	1.151	32.147
Services	104.968	403.767	3.782	54.373
Wholesale and Retail Trade	78.248	36.935	340	45.792
Accommodation and Dining	6.279	357.885	3.353	2.779
Transportation and Telecom	9.008	3.210	32	2.173
Financial Institutions	1.267	225	2	172
Real Estate and Rental Services	1.177	264	3	496
Professional Services	827	312	3	827
Educational Services	4.932	350	3	1.237
Health and Social Services	3.230	4.586	46	897
Other	11.231	272.006	1.819	7.135
Total	345.661	1.141.842	10.056	182.305

l. Information about Value Adjustment and Change in Provisions:

	Opening Balance	Provision for Period	Write off from Asset	Other Adjustments(*)	Closing Balance
1. Specific Provisions (**)	149.541	119.217	(45.912)	4.314	227.160
2. General Provisions	90.245	9.195	-	8.126	107.566

(*) The other adjustment column for the remaining amounts consists of exchange rate differences of free and general allowance amounts, which are set as foreign currency.

(**) Uncompensated non-performing loans provisions includes specific allowance amounts, free allowance amounts and cheque-book allowance that the Bank classifies as non-performing loans.

m. Risks Included in Cyclical Capital Buffer Calculation :

None.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued):

III. EXPLANATIONS ON RISK MANAGEMENT:

Risk Management Approach and Risk Weighted Amounts

a. Risk Management Approach of the Bank:

1. The way risk profile of the Bank is determined by business model and its interaction and risk appetite:

The Bank prepares its business strategy including medium and long term growth objectives and makes an annual revision through reviewing. The Bank reviews its business strategy annually in a periodic manner and aforementioned business strategies are reviewed ad hoc and more frequently and can be revised if it is required by economic developments and market conditions. Risk appetite of the Bank is designated in full compliance with its business strategy and main risks, which shall be taken due to main components of main activity area and business strategy of the Bank, comprise main inputs of risk appetite determined by Board of Directors.

2. Risk management structure: Responsibilities assigned within the body of the Bank:

Board of Directors is responsible for developing a risk appetite in compliance with business strategy of the Bank and establishing a risk management system in line with risk appetite. Board of Directors carries out activities such as definition, monitoring, reporting of the risk and developing risk mitigating measures through Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, Assets and Liabilities Committee (ALCO) and Risk Management Group, Internal Control Department, Directorate of Supervisory Board and Compliance Departments.

Audit Committee controls whether provisions included in legislation related risk management and intra-group and implementation procedures approved by the board of directors are applied or not and makes recommendations to board of directors regarding measures which should be taken. It also evaluates whether there are method, instrument and implementations procedures required for identification, measurement, monitoring and controlling of Group's risks or not.

Board Risk Committee is responsible for the development of risk management systems in line with business strategy and risk appetite of the Bank, presentation of amendment recommendations related to risk management policies to Board of Directors and establishment of required method, instrument and implementation procedures in order to ensure identification, measurement, monitoring and reporting of risks by non-executive independent departments.

ALCO is responsible to monitor and manage structural asset-liability non-compliance of the Bank together with the monitoring and controlling of liquidity and exchange risks through holding meetings on a weekly basis.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Risk Management Group, which carries out its activities independent from executive functions, consist of Credit Risk and Modelling Unit, Market Risk Unit and Operational Risk Unit which operate under the Credit and Market Risk Unit. Credit Risk and Modelling Unit is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Bank and its partners which are subject to consolidation and sharing of solution recommendations for risk mitigation with related departments. Credit risk appetite limits, which are approved by Board of Directors, are monitored in specific periods and results are reported to Board of Directors and senior management. The unit gives support to credit risk analysis through stress tests, reverse stress tests and scenario analysis. Market Risk Unit is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Bank and its partners which are subject to consolidation. The Unit is also responsible to monitor and report limits specified related to treasury risk parameters and liquidity risk. Limit-risk follow-up regarding counterparty credit risk, stress tests and scenario analysis are also under the responsibility of the unit in question.

Operational Risk Unit carries out definition, measurement, assessment, controlling, mitigation, monitoring and reporting activities of operational risks. Internal Audit is responsible for the evaluation of operational risk management framework with its all aspects in an independent manner. The aforementioned evaluation includes both activities of business units and also activities of Operational Risk Management.

Internal Control Department carries out activities at secondary control level in order to monitor and report risks and develop measures reducing risks with executive departments. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Bank are shared with both executive and non-executive departments such as Risk Management Group.

3. Channels which are used to extend and apply risk culture in the Bank:

Risk Management application is developed on Intranet platform for the purpose of increasing awareness of employees in order to extend risk culture within the body of the Bank. Through this application, trainings and documents increasing awareness are shared with employees. Online trainings, related to risk management developed in order to raise awareness of employees, are shared with employees via remote training system. Risk point of views of employees are supported through in-class trainings, if required.

Information on risk position of the Bank, expected and unexpected loss estimations, impacts of negative conditions on balance sheet of the Bank and realization levels of risk appetite limits determined by Board of Directors is share with Board of Directors, related committees and senior management by Risk Management Group through reports issued. If there exists an overflow on the risk appetite limits, related departments are informed in order to ensure taking of pre-determined measures and results are monitored by Risk Management Group.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

4. Main components and scope of Risk measurement systems:

Rating is used for corporate and commercial customers while scoring is used for retail credits in the Bank in order to measure credit risk. Internal rating systems are designated in the framework of business strategy, risk appetite, regulations of authorities with respect to rating systems and internal policies and their performances are periodically monitored by Risk Management Group and results are reported to Board of Directors and senior management. On the other hand, validations of rating models are coordinated by Credit Risk and Modelling Unit. The Bank has information systems enabling reporting according to sector, segment, branch, exchange rate, maturity, internal rating grade and risk class of credit portfolio. Risk appetite limits determined in Credit Risk Policy are monitored on a monthly basis and reported to Board of Directors and senior management.

The Bank determines internal limits which are revised in the framework of business model, strategy and risk appetite of the Bank reviewed at least on an annual basis for exchange rate, interest, counterparty and liquidity risk which may be exposed. All limits are approved by Board of Directors and monitored in an effective manner by Board of Directors.

Basic Indicator Approach is used in order to determine capital requirement required for operational risk in accordance with legislations of BRSA. The Bank records operational risk events in the operational risk database and performs self-evaluation studies in order to raise awareness in operational risks, determine current operational risks and reduce possible negative impacts of such risks to minimum.

5. Disclosures on risk reporting processes provided to Board of Directors and senior management:

Risk Management Group reports results of analysis related to risks such as credit, liquidity and operational to Board of Directors, Audit Committee, Board Risk Committee, Risk Coordination Committee, ALCO and senior management. Reporting is made to Risk Coordination Committee and Board of Directors on a monthly basis while it is made to Audit Committee and Board of Directors Risk Committee on a quarterly basis.

Results of concentration and credit risk stress test based on sector, segment, maturity, collateral, currency, internal rating of customers; structural interest rate risk sourcing from banking accounts, details related to derivatives, liquidity analysis, stress tests made related to counterparty credit risk, deposit concentration, realizations related to risk appetite limits of market and liquidity; historical developments of operational risks based on loss categories and their distribution based on Bank and subsidiaries are included in aforementioned reports.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT(Continued):

6. Disclosures on Stress Test:

The Bank makes stress tests for risk categories of credit, market, liquidity and operational risk both in scope of Internal Capital Adequacy Assessment Process (ICAAP) and also as periodical internal and results are shared with Board of Directors, senior management and audit authority, if required.

The Bank considers scenarios announced by BRSA and pre-determined negative and extremely negative scenarios for stress tests made in scope of ICAAP. Scenarios are determined through taking macro-economic variables, business strategy and risk appetite of the Bank and negative past conditions into account. In scope of ICAAP, both particular and also total stress tests are made based on significant risk types.

Internal periodic stress tests are made in the framework of scenarios determined internally in accordance with portfolio, business strategy, risk appetite and retrospective estimations of the Bank. The Bank prepares its internal periodic stress tests through benefiting from sensitivity analysis, stress test, reverse stress test and scenarios analysis instruments. Credit risk stress tests include scenarios such as depreciation of Turkish Lira and increase in overdue receivables. On the other hand, reverse stress tests towards risk appetite limits through scenario analysis related to concentration index are periodically made.

Impact of each shocks on profitability and capital is measured in stress tests made in scope of Market Risk. Risk factors, for which a shock is applied, are exchange rates, interests and prices of shares. Foreign exchange position gain/loss sourcing from sudden exchange and interest movements, banking activities, impact of Interbank transactions and Commercial Funding on capital, bond, derivative and share portfolio gain/loss are calculated in stress tests.

Impact of exchange and interest shocks on derivative portfolio specific for customer is reviewed in scope of Counterparty Credit Risk stress tests and results are discussed in related committees.

In scope of operational risk tests, loss estimation is made through statistical methods via taking historical loss data into account and its effect on capital requirement is reviewed.

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

The Bank includes collaterals in Communique on Credit Risk Mitigation Techniques to credit risk mitigation with respect to capital requirements calculations and those collaterals are used in calculations over their consideration rates in the aforementioned communique. The operational conditions mentioned in the Communique should be met in order to be able to include collaterals in credit risk mitigation.

Determination of actions towards mitigation through assessing risks exposed in current processes, key risk indicators and loss events, use of support services and pre-evaluation studies of implementation procedures and policies of new products are carried out in order to mitigate risk which are exposed or shall be exposed in operational risk management. Insurances towards risk mitigation are made. Risk mitigation exposed due to a disruption is aimed to be reduced through Business Continuity Plan approved by Board of Directors ensuring the continuity of operations in reasonable periods. In this scope, Business Continuity Plan is periodically tested and required updates are made.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

b. Overview of RWA

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of the date 31 December 2017:

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

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	Prior Period	Current Period
		31 December 2017	31 December 2016	31 December 2017
1	Credit risk (excluding counterparty credit risk) (CCR)	12.345.238	11.245.475	987.619
2	Standardised approach (SA)	12.345.238	11.245.475	987.619
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	380.220	296.569	30.418
5	Standardised approach for counterparty credit risk (SA-CCR)	380.220	296.569	30.418
6	Internal Model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-
16	Market risk	115.709	99.079	9.257
17	Standardised approach (SA)	115.709	99.079	9.257
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	685.256	552.019	54.820
20	Basic indicator approach	685.256	552.019	54.820
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	13.526.423	12.193.142	1.082.114

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

c. Linkages between financial statements and risk amounts

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

	Valued amount according to TAS within legal consolidation	Subject to credit risk	Subject to counterparty credit risk	Carrying values of items in accordance with TAS		
				Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	2.027.327	2.027.327	-	-	-	-
Trading Financial Assets	163.866	-	158.425	-	153.116	131
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	157.317	157.317	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	251.592	251.592	96.867	-	-	-
Loans and Receivables	13.262.531	13.262.531	-	-	-	-
Factoring Receivables	6	6	-	-	-	-
Held-to-maturity investments (net)	171.218	171.218	171.218	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	256.972	256.972	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	262.867	-	262.867	-	-	-
Property And Equipment (Net)	55.377	39.735	-	-	-	15.642
Intangible Assets (Net)	45.085	-	-	-	-	45.085
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.085	45.085	-	-	-	-
Other Assets	108.066	108.066	-	-	-	-
Total assets	16.807.309	16.319.849	689.377	-	153.116	60.858
Liabilities						
Deposits	8.928.115	-	-	-	-	8.928.115
Derivative Financial Liabilities Held for Trading	169.934	-	142.887	-	105.634	27.047
Funds Borrowed	4.217.905	-	-	-	-	4.217.905
Money Markets	200.159	-	200.159	-	-	-
Marketable Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	272.791	-	-	-	-	272.791
Other Liabilities	53.860	-	-	-	-	53.860
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	53.367	-	-	-	-	53.367
Provisions	192.710	-	-	-	-	192.710
Tax Liability	65.411	-	-	-	-	65.411
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	1.140.582	-	-	-	-	1.140.582
Shareholder's Equity	1.512.475	-	-	-	-	1.512.475
Total liabilities	16.807.309	-	343.046	-	105.634	16.464.263

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	17.162.342	16.319.849	-	689.377	153.116
2	Liabilities carrying value amount under regulatory scope of consolidation	(448.680)	-	-	(343.046)	(105.634)
3	Total net amount under regulatory scope of consolidation	16.713.662	16.319.849	-	346.331	47.482
4	Off-Balance Sheet Amounts	1.277.694	1.277.694	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	527.876	92.976	-	366.673	68.227
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	18.519.232	17.690.519	-	713.004	115.709

3. Disclosures on Differences between Amounts valued in accordance with TAS and Risk Exposures

There exist no difference between accounting and legal consolidation scopes of the Bank.

Significant differences between amounts valued in accordance with TAS and Risk exposures source from securities and derivatives. Securities mentioned in repo transaction in financial assets held for trading and held for sale financial assets are designated in Money Markets Debts item. For derivative transactions, the Bank has foreign exchange swap and interest swap products which are monitored under trading accounts and made for structural interest rate risk and liquidity risk management. Therefore, those products should not be considered in scope of market risk although they are monitored under trading accounts in accordance with TAS.

Valuation methodologies, including disclosure on using of market value and model value methodologies, performs valuation of financial assets of the Bank tracked under trading accounts on a daily basis. Market prices, obtained from independent data providers, are kept in treasury system and valuations are made systemically.

Market values of products such as forward exchange, foreign exchange swaps and interest swaps traded in over the counter markets are calculated based on discounting of cash flows over market interest rates. Globally accepted valuation methodologies are used for option products.

The Bank uses weighted average prices for securities trades in BIST for Turkish Lira securities portfolio while it uses prices in nature of indicator announced by Central Bank for securities not traded on BIST. Market average prices, obtained from independent data providers, are used for foreign currency securities.

The Bank makes all calculations of fair values based on mid price.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Description of independent price approval processes: The Bank obtains market prices, which shall be used in valuation, from independent data providers and manages through checkpoints established independent from risk generating unit/departments. Valuation prices are determined through collection of data in treasury system for risk factors exposed at a pre-determined hour in each day. The aforementioned data is formed following an inquiry executed by Information Technologies without the interruption of any users. Prices, which shall be used in valuations, are controlled by Market Risk Department on a daily basis.

Besides, Market Risk Department controls and documents yield curves, valuation methods and accuracy of fair value calculations periodically.

Processes for valuations adjustments or differences: The Bank does not make valuation adjustment since financial assets recognized at fair value are traded on an active market.

d. Credit Risk Disclosures

1. General Qualitative Information on Credit Risk

i. Conversion of Group's business model to components of credit risk profile

The Bank has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments. The Bank especially uses stress test and scenario analysis in order to measure effects of negative conditions on bank's portfolio and business strategy and risk appetite of the Bank is considered while determining parameters for respective analysis.

ii. Criteria and approach used during the determination of credit risk policy and credit risk limits

The Bank determines short, medium and long term credit strategies in line with business strategy and risk appetite and performs studies in line with criteria details in credit policies and credit risk policy in order to minimize expected and unexpected losses exposed due to credit operations. Credit policies determines procedures related to credit allocation, monitoring, collection and administrative and legal proceedings based on prudent man and applicability principles. Besides, general framework of credit risk studies made in order to execute credit risk in an efficient manner which is requested by legal authorities. Therefore, Credit Risk Policy, forming top level framework of credit risk studies of the Bank, and credit risk limits detailed in this document are determined based on legal requirements, business strategy of the Bank, credit strategy, risk appetite and credit policies and reviewed at least annually and updated, if required. Business strategy, risk appetite and retrospective portfolio realizations are taken into consideration while determining credit risk limits. On the other hand, methods such as stress test and reverse stress test are used during the determination of limit levels.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

iii. Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Bank in favour of individuals or legal entities are reviewed in scope of credit risk management. In this context, first level of controls are detailed in credit policies and procedures. Internal rating systems are benefited as well as credit allocation processes in order to measure creditability of customers.

Credit risk studies in scope of capital adequacy are carried out by Credit Risk and Modelling Unit within the body of Risk Management Group in the framework of Credit Risk Policy. Credit Risk Policy includes activities related to credit risk management, credit risk management organization, related parties and their responsibilities and duties, main principles, implementations, limits and reporting determine in credit risk management.

Duties and responsibilities of Risk Management Group Credit Risk and Modelling Unit with respect to credit risk management are as follows:

- To make principal amount calculations subject to legal credit risk in the framework of determined rules by related regulations of BRSA and to monitor up-to-dateness of application used in this scope,
- To report results of analysis related to risk definition, measurement, analysis, monitoring and portfolio subject to in/off balance sheet credit risks to senior management in scope of Credit Risk Policy approved by Board of Directors and related application principles,
- To support development of rating/score card models for corporate, commercial and retail credits, to monitor their performances and to participate/coordinate their validation studies,
- To perform credit risk stress test, reverse stress test and scenario analysis determined through related regulations of BRSA and approved by Board of Directors and to share respective results with Risk Coordination Committee, senior management, Audit Committee, Board of Directors Risk Committee and Board of Directors,
- To make probability of default (PD), loss given default (LGD) and residual risk calculations based on internal rating models and share opinion and recommendations for the establishment of infra-structure for aforementioned calculations,
- To analyse credits portfolio through applying stress test, reverse stress test and scenario analysis, if required, for credit risk management,
- To monitor, report risk appetite limits determined in Credit Risk Policy periodically and share opinion and recommendations in revision of risk appetite limits,
- To share recommendations developed for stress test and scenario analysis in order to be presented to Board of Directors, with Risk Coordination Committee and Risk Committee.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

iv. Relation between credit risk management, risk control, legal compliance and internal audit functions

Three lines control mechanism is established in order manage credit risk and to reduce expected and unexpected losses to a minimum level at the Bank. The first line of controls are performed by executive units and include controls in entering into credit relation with customers having high level of creditability, credit allocation, crediting, repayment and monitoring phases. The second line of controls include activities performed by Risk Management Group and Internal Control Department and consist of definition, measurement, monitoring, reporting of risks and development of measures which shall reduce credit risk with executive departments. The third line of controls are performed by Supervisory Board. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Bank are shared with both executive and non-executive departments such as Risk Management Group.

Internal Audit function is executed by Directorate of Supervisory Board at the Bank. In this context, evaluations with respect to credit risk are carried out by Directorate of Supervisory Board through taking risks exposed by the Bank and related controls into account in the framework of annual audit plans. Assurance is provided on effectiveness and sufficiency of internal control and risk management strategies related to credit risk activity field executed towards strategies and objectives of the Bank through credit risk management in scope of headquarters unit and process audits and branch audits including participation of Directorate of Supervisory Board.

Managers of Risk Management Group, Internal Control Department, Compliance Department and Directorate of Supervisory Board inform members of Committee through holding Risk Coordination Committee on a two week basis and Audit Committee and Board of Directors Risk Committee meetings held on quarterly basis. Issues determined in the framework of second and third lines of controls are examined in meetings for credit risk management and risk mitigation measures are reviewed. Those departments report to Board of Directors through Audit Committee and Board of Directors Risk Committee.

v. Disclosures regarding risk reporting processes provided to members of Board of Directors and senior management

Credit risk exposed by the Bank is monitored periodically by Risk Management Group Credit Risk and Modelling Unit and results are shared with senior managers of ALCO, credit marketing and allocation on a weekly basis, with Board of Directors and Risk Coordination Committee on a monthly basis and with Board of Directors Risk Committee on a quarterly basis. The scope and main content of aforementioned reports consist of sector, segment, risk classes, internal rating grades, collateral concentration of credit portfolio; close monitoring and legal proceedings portfolios, ageing analysis, probability of default estimations calculated based on rating and scoring systems, foreign currency and maturity concentrations, capital adequacy, periodical comparisons and result of stress test and scenarios analysis.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Credit quality of assets

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	Defaulted exposures	Non-defaulted exposures		
1	Loans	345.661	13.099.181	(277.649)	13.167.193
2	Debt Securities	-	424.026	(1)	424.025
3	Off-balance sheet exposures	21.806	2.614.711	(6.564)	2.629.953
4	Total	367.467	16.137.918	(284.214)	16.221.171

3. Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at the end of the previous reporting period	250.023
2	Loans and debt securities that have defaulted since the last reporting period	152.876
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(35.432)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	367.467

4. Additional disclosures related to credit quality of assets:

- i. **Scope and descriptions of “overdue” receivables and “provisioned” receivables which are used for accounting and differences between descriptions of “overdue” and “provisioned”, if available.**

Receivables having a delay of more than 90 days are defined as “overdue receivables”. There is no difference between “overdue receivable” and “provisioned” definitions since provision is made for the whole overdue receivables.

- ii. **Part of overdue receivables (more than 90 days) which are not evaluated as “provisioned” and reasons for this application:**

None.

- iii. **Descriptions of methods used while determining provision amounts:**

Specific provision amounts are determined in accordance with “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) and collaterals are also based on rated mentioned in aforementioned Communiqué.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

iv. Descriptions of restructured receivables:

Credits and other receivables can be restructured, through providing additional credit, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency in accordance with Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation").

v. Breakdown of receivables according to geographical regions, sector and residual maturity:

Separation of receivables according to geographical area (cash and non-cash loans and follow-up receivables):

		31 December 2017	31 December 2016
1	Domestic	15.364.645	12.598.150
2	European Union Countries	15.850	67.977
3	OECD Countries **	-	-
4	Off-shore Banking Regions	-	-
5	USA, Canada	-	-
6	Other Countries	691	1.636
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-
8	Unallocated Assets / Liabilities***	-	-
9	Total	15.381.186	12.667.763

Breakdown of receivables by sector (Cash and non-cash loans and follow-up receivables):

	31 December 2016	31 December 2017	31 December 2016
1	Agriculture	45.857	52.055
2	Farming and Stockbreeding	40.799	36.179
3	Forestry	45	131
4	Fishery	5.013	15.745
5	Manufacturing	4.249.695	3.585.740
6	Mining and Quarrying	696.885	467.344
7	Production	2.860.885	2.569.386
8	Electricity, Gas and Water	691.925	549.010
9	Construction	4.289.802	3.991.095
10	Services	4.989.292	4.611.671
11	Wholesale and Retail Trade	1.511.367	1.656.798
12	Accommodation and Dining	1.164.710	898.927
13	Transportation and Telecom	574.441	432.348
14	Financial Institutions	1.114.421	961.469
15	Real Estate and Rental Services	535.828	555.574
16	Professional Services	13.391	17.027
17	Educational Services	24.601	15.697
18	Health and Social Services	50.533	73.831
19	Other	1.806.540	427.202
20	Total	15.381.186	12.667.763

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Separate receivables according to remaining demand (cash and non-cash loans and follow-up receivables):

31 December 2017	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
Cash and Non-cash Loans	2.486.729	1.728.639	3.517.395	6.106.205	1.373.428	168.790	15.381.186
31 December 2016							
Cash and Non-cash Loans	2.379.455	1.863.661	2.448.770	4.615.011	1.249.067	111.799	12.667.763

vi. Amounts of receivables provisioned based on geographical regions and sector and amount written-off from assets through related provisions

Geographical and sectoral breakdowns of impaired and overdue receivables and provisions made for those receivables and value adjustments are in the below table and all amounts included are domestic. There is no provision amount written-off from assets in current year.

		31 December 2017		31 December 2016	
		Non Performing Loan	Special Provision	Non Performing Loan	Special Provision
1	Agriculture	6.885	5.730	6.362	2.579
2	Farming and Stockbreeding	6.263	5.132	5.774	1.991
3	Forestry	566	542	532	532
4	Fishery	56	56	56	56
5	Manufacturing	131.296	82.920	99.310	52.192
6	Mining and Quarrying	14.869	12.611	17.380	11.634
7	Production	116.230	70.112	81.733	40.459
8	Electricity, Gas and Water	197	197	197	99
9	Construction	91.281	32.147	37.385	21.944
10	Services	104.968	54.373	82.288	38.955
11	Wholesale and Retail Trade	78.248	45.792	64.789	33.678
12	Accommodation and Dining	6.279	2.779	3.396	758
13	Transportation and Telecom	9.008	2.173	2.838	1.366
14	Financial Institutions	1.267	172	15	15
15	Real Estate and Rental Services	1.177	496	1.492	513
16	Professional Services	827	827	1.913	486
17	Educational Services	4.932	1.237	4.978	1.285
18	Health and Social Services	3.230	897	2.867	854
19	Other	11.231	7.135	5.872	3.748
20	Total	345.661	182.305	231.217	119.418

vii. Ageing analysis for overdue receivables.

Ageing analysis for overdue receivables are included in IV. Part II.b section.

viii. Breakdown of restructured receivables based on being provisioned or not.

Specific and general provision are made for restructured receivables and free provision is made for miscellaneous risks, if required, in scope of Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and there is no situation in which no provision is made.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

e. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

Collaterals obtained as guarantees of credits are secondary repayment sources of credits. Therefore, it should be considered that market values of assets and commitments, obtained as collaterals, are measureable and whether they have a second hand market or not. Collaterals accepted by Banks are listed in Corporate Credit Policy and its annexes.

Collaterals, which should be received as a guarantee for each credits and loan to value ratio with respect to those collaterals are determined during the allocation of credits. Related approval authority is authorized to determine a laon to value ratio for each customer and credit. If assets traded on markets having higher level of volatility are received as collaterals, a prudential loan to value rate is determined through considering maturity of the credit and price volatility of the asset.

Short term fluctuations in fair value of assets are not considered in evaluation of collaterals. Regular reviews of collaterals such as property and cheque whose change of value and translation to cash ability can not be monitored simultaneously are made. Market value of properties received as collateral are reviewed in accordance with rules determined by BRSA and internal rules determined in related policies.

Insuring of collaterals against possible losses is preferred, when possible. Insurance of properties, vehicles and equipment, received as collateral, is compulsory as wells as its renewal as long as the credit risk of the insured continues.

In collateralized credit transactions, additional collateral should be received in case of the revaluation of the collateral shows that there is a significant decrease on the collateral and actual loan to value ratio is under the contractual loan to value ratio.

Establishment of type of collateral guarantor in a versatility preventing concentration on collateral providers and geography, is one of the main principles.

The Bank considers collaterals in its calculations for principal amount subject to credit risk in accordance with rules mentioned in Communique on Measurement and Evaluation of Bank's Capital Adequacy and its annexes and Communique on Risk Mitigation Techniques.

2. Credit risk mitigation techniques

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	7.838.230	5.328.963	4.038.071	1.247	1.247	-	-
2	Debt securities	424.025	-	-	-	-	-	-
3	Total	8.262.255	5.328.963	4.038.071	1.247	1.247	-	-
4	Of which defaulted	180.862	-	-	-	-	-	-

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

f. Credit Risk if the Standard Approach is used

1. Qualitative Disclosures which shall be made related to Rating Grades used in the calculation of Credit Risk with Standard Approach by Banks

Credit Risk if the Standard Approach is used

Bank uses grades of Fitch Credit Rating institution in credit risk standard approach calculations.

Grades of Fitch Credit Rating are taken into consideration for claims on sovereign and claims on banks and other financial institutions.

Rating assigned to a debtor is taken into account for all assets of the debtor.

CRA, which is not included in twinning table of the institution, is not used.

2. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

	Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	2.393.128	-	3.509.903	-	437.223	12,5%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	272	63	272	13	285	99,9%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	199.749	113.371	199.748	55.578	102.541	40,2%
7	Exposures to corporates	8.197.033	2.087.104	7.371.908	1.176.588	8.150.458	95,3%
8	Retail exposures	532.669	133.173	491.268	46.558	390.893	72,7%
9	Exposures secured by residential property	648.693	36.490	603.204	13.847	215.852	35,0%
10	Exposures secured by commercial real estate	3.716.428	36.523	3.515.951	16.017	2.404.924	68,1%
11	Past-due loans	163.356	-	163.356	-	168.819	103,3%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	468.521	228.947	468.521	57.787	474.243	90,1%
17	Equity Investment	-	-	-	-	-	-
18	Total	16.319.849	2.635.671	16.324.131	1.366.388	12.345.238	69,8%

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Standardised approach – exposures by asset classes and risk weights

	Asset classes/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	3.072.680	-	-	-	-	-	437.223	-	-	3.509.903
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	285	-	-	285
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	157.550	-	53.489	-	44.287	-	-	255.326
7	Exposures to corporates	69.472	-	227.044	-	296.139	-	7.953.564	2.277	-	8.548.496
8	Retail exposures	12.639	-	5.199	-	555	519.433	-	-	-	537.826
9	Exposures secured by residential property	328	-	4	616.719	-	-	-	-	-	617.051
10	Exposures secured by commercial real estate	12.581	-	357	-	2.228.354	-	1.290.676	-	-	3.531.968
11	Past-due loans	1	-	-	-	23.343	-	105.744	34.268	-	163.356
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-
17	Other receivables	52.065	-	-	-	-	-	474.243	-	-	526.308
18	Total	3.219.766	-	390.154	616.719	2.601.880	519.433	10.306.022	36.545	-	17.690.519

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

g. Disclosures regarding Counterparty Credit Risk

1. Qualitative Disclosures on Counterparty Credit Risk

i. Objectives and policies of risk management with respect to CCR,

Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope. The Bank ensures timely and accurate briefing for senior management and related departments (ALCO and Capital Markets, Treasury Sales, Credit Tracking and Credit Collection Departments and Chairman of Risk Management Group, Marketing, Credits and Treasury, Deputy General Managers responsible for Capital Markets and Financial Institutions) and assignment of appropriate staff for measurement and monitoring for the purpose of an effective counterparty credit risk management. Senior Management is responsible for understanding significance and level of counterparty credit risk taken by the Bank.

The Bank allocates limits approved on the basis of customer and approved in different level of authorization in order to manage counterparty credit risk. Those limits are determined in a way including risk, which shall be taken, instrument and maturity information and periodically reviewed.

Activities, job definitions and responsibilities related to management, measurement, monitoring and reporting of counterparty credit risk are determined through policies and procedures. Counterparty credit risks can be simultaneously controlled on treasury system and early warning limit excess mechanisms are triggered if the use of limits are over 80%.

The Bank uses mark-to-market approach in order to measure counterparty credit risk and therefore, determines coefficients (add-on) used in order to add current market value through multiplying nominal amount of transaction for the purpose of establishing the risk exposed by counterparty until the maturity. Aforementioned coefficients are calculated based on market data obtained from independent data providers and it is principal that aforementioned coefficients should be lower than coefficients determined in Part 3 of Annex -2 of Communiqué on Measurement and Evaluation of Bank's Capital Adequacy prepared by BRSA and coefficients used in legal capital calculations. Market Risk Department reviews add-on coefficients with updated market data periodically reserving its right to update add-on coefficients more frequently if the volatility increases.

Besides, senior management is periodically supported with stress tests for business lines, Treasury and Credit Allocation decision making processes.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

ii. Operational limit allocation method determined in scope of calculated internal capital for CCR and central counterparty risk

The Bank assigns limits mentioned in transactions causing counterparty credit risk and central counterparty credit risk in accordance with principles determined in credit policies. It is principal to select customers having a high creditability and sufficient collateral conditions. Therefore, compliance of off-balance sheet transactions subject to CCR to in-balance sheet position of the customer in addition to creditability and collateral conditions of the customer, should be especially considered while allocating limits of the customer subject to such risks. Exchange rate and maturity compliance of in/off balance sheet transactions of the Customer and the customer having a foreign currency income reducing foreign currency risk to a minimum level are other important components which are considered while allocating aforementioned limits. The Bank should be careful in not allocating high level of leverage and/or long term off balance sheet transaction limits.

The Bank performs its treasury limit allocation in line with its Financial Institutions Credit Allocation Policy for those whose counterparty is a financial institution.

Daily Exchange Limit, Total Lending Limits, Issuer limit, Limit before Exchange and Total nominal limit are allocated for financial institutions.

A limit before exchange is allocated for customers apart from financial institutions.

The Bank is not exposed to central counterparty credit risk on non-consolidated basis.

If it is on consolidation basis, there is a minimal central counterparty risk exposure in scope of products offered to customers of Burgan Yatırım A.Ş. Commercial risks and capital requirements are calculated for central counterparty risk and amounts of guarantee fund respectively.

iii. Policies towards determination of Guarantee and other risk mitigations and CCR including central counterparty risk:

International Swaps and Derivatives Association (ISDA), Credit Support Annex (CSA) and/or Global Master Repurchase Agreement (GMRA), which have international validity, are concluded in counterparty credit risk management with respect to financial institutions and collateral management process is operated on a daily basis.

Collateralization principles and procedures within the framework of credit policies applied at Bank for companies apart from financial institutions and individuals.

iv. Rules with respect to Counter-trend risk

The Bank uses results of counterparty stress test performed periodically related to counter-trend risk and evaluates impact of deterioration in macro-economic conditions on credit risk of the customer.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

v. Amount of additional collateralization, which have to be provided by the Bank if there exist a decline in credit rating grade.

There exists no additional collateral amount, which have to be provided by the Bank if there exist a decline in credit rating grade.

2. Assessment of Counterparty Credit Risk According To The Models Of Measurement

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR						
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation					713.004	380.220
4	Comprehensive Method for Credit Risk Mitigation						
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	Total						380.220

3. Credit Valuation Adjustment (CVA) Capital Charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-
3	All portfolios subject to Standardised CVA capital obligation	713.004	96.353
4	Total amount of CVA capital adequacy	713.004	96.353

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

4. Standardised approach – CCR exposures by regulatory portfolio and risk weights

Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Central governments and central banks receivables	-	-	-	-	-	2.074	-	-	2.074
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	198.883	-	87.727	309.751	-	470	-	-	596.831
Corporate receivables	1.172	-	-	7.750	-	104.578	-	-	113.500
Retail receivables	-	-	-	-	599	-	-	-	599
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	200.055	-	87.727	317.501	599	107.122	-	-	713.004

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

5. Composition of collateral for CCR exposure

Current Period	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	1.172	-
Cash - Foreign Currency	-	-	-	-	198.883	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	-	-	-	-	200.055	-

6. Credit derivatives: None.

7. Risks to Central Counterparty: The Bank is not exposed to central counterparty credit risk on non-consolidated basis.

h . Securitization disclosures: None.

j. Disclosures on Market Risk

1. Qualitative information which shall be disclosed to public related to market risk

i.The Bank defines market risk as the potential financial loss which may occur as a result of fluctuations in capital markets. The aforementioned loss can occur due to fluctuations on share prices, interest rates, commodity prices and exchange rate.

The purpose of controlling and observance on market risk is to control and monitor impacts of markets risks on gain and economic value. In a more detail expression, the purpose of market risk control and audit is to protect Bank from unexpected market losses and to establish transparent, objective and consistent market risk information which shall form a basis for decision making process.

Market Risk is managed by Treasury, Capital Markets and Financial Institutions. The Bank limits the market risk which shall be exposed for different risk factors in the framework of risk appetite. The framework of the limit and tracking method is determined with Treasury Risk Parameters document approved by Board of Directors and limits are reviewed at least on an annual basis.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

- ii. Management of market risk is under responsibility of Treasury, Capital Markets and Financial Markets, which generate risk at primary level. Second line controls are provided through independent risk management and internal control functions. Treasury Internal Control Department is established under Market Risk Department and Directorate of Internal Control Department which operates independent of risk generating departments/units in the framework of authorizations and frameworks described at the Bank.

Third line of controls are made through audits of treasury processes and market risk management made periodically by Directorate of Supervisory Board. The audits in question reviews compliance of market risk management to BRSA regulations related to market risk and policy and procedures of Group and Bank, monitoring of limit usages and reporting related to limit excesses and market risk.

- iii. The Bank uses Historical Simulation Method as internal method for market risk. one sided 99% confidence level, historical data belonging to working days in past two years and 10 days of holding period are taken into consideration in the calculation. The Bank also calculates stressed value at risk on a daily basis.

Treasury Risk Parameters are monitored by Market Risk Unit during the day and at the end of day and use of limits and related other analysis are reported to ALCO, Risk Committee, Audit Committee, Risk Coordination Committee and Board of Directors.

Early warning levels for limit usage are determined and the way, which shall be applied in case of an early warning or final limit excess, is stated clearly in Treasury Risk Parameters.

Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate, option vega limits and stoploss limits determined for trading portfolio.

2. Market risk under standardised approach

		Risk Weighted Asset
	Outright products	
1	Interest rate risk (general and specific)	79.062
2	Equity risk (general and specific)	-
3	Foreign exchange risk	36.320
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	327
7	Scenario approach	-
8	Securitisation	-
9	Total	115.709

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

IV. EXPLANATIONS ON OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Method" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337. The operational risk capital requirement dated 31 December 2017 was calculated using the year 2014, 2015, 2016 revenues.

Annual gross income is calculated through deducting profit/loss sourcing from sales of securities tracked in available for sale and held to maturity securities accounts and extraordinary income, activity expenses made in return for support service and amounts compensated from insurance from total of net amount of interest revenues and non-interest revenues.

	2 Prior Period Value	1 Prior Period	Current Period value	Total / Total number of years for which gross income	Rate (%)	Total
Gross Income	43.406	57.693	63.362	3	15	54.820
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	685.256

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

V. EXPLANATIONS ON CURRENCY RISK:

The difference between the Bank's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Another important dimension of the currency risk is the change in the exchange rates of different foreign currencies in "Net Foreign Currency Position" (cross currency risk).

A series of limits for the tenure of spot and forward foreign exchange positions is set in the risk parameters section of the budget approved by the Board of Directors annually. There is a conservative foreign currency position management policy in the Bank due to the free floating currency regime.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date:

	EUR		USD	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
31 December 2017/ 31 December 2016				
Bid rate	TL 4,5155	TL 3,7099	TL 3,7719	TL 3,5192
1. Day bid rate	TL 4,5155	TL 3,7099	TL 3,7719	TL 3,5192
2. Day bid rate	TL 4,5478	TL 3,6939	TL 3,8104	TL 3,5318
3. Day bid rate	TL 4,5385	TL 3,6901	TL 3,8197	TL 3,5329
4. Day bid rate	TL 4,5116	TL 3,6711	TL 3,8029	TL 3,5135
5. Day bid rate	TL 4,5205	TL 3,6639	TL 3,8087	TL 3,5041

The simple arithmetic average of the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown below:

	EUR		USD	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Arithmetic average-30 days	TL 4,5508	TL 3,6848	TL 3,8440	TL 3,4950

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

V. EXPLANATIONS ON CURRENCY RISK (Continued):

Information on currency risk of the Bank:

The Bank's real foreign currency position, both in financial and economic terms, is presented in the table below:

	EUR	USD	Other FC	Total
31 December 2017				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	12.909	978.284	1.709	992.902
Due From Banks	11.092	141.704	4.505	157.301
Financial Assets at Fair Value Through Profit or Loss (*)	34.803	18.891	9.907	63.601
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	95.695	-	95.695
Loans (*)	5.311.303	2.954.196	-	8.265.499
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	171.218	-	171.218
Hedging Derivative Financial Assets (*)	165	4.148	-	4.313
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	4.082	39.332	1	43.415
Total Assets	5.374.354	4.403.468	16.122	9.793.944
Liabilities				
Bank Deposits	333	92.833	5	93.171
Foreign Currency Deposits	858.169	4.348.754	111.437	5.318.360
Funds From Interbank Money Market	-	198.953	-	198.953
Funds Borrowed From Other Financial Institutions	543.929	4.777.538	1	5.321.468
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	147.297	85.082	265	232.644
Hedging Derivative Financial Liabilities	1.127	11.431	2	12.560
Other Liabilities (*)	11.804	19.615	9.965	41.384
Total Liabilities	1.562.659	9.534.206	121.675	11.218.540
Net On-balance Sheet Position	3.811.695	(5.130.738)	(105.553)	(1.424.596)
Net Off-balance Sheet Position	(3.780.099)	5.138.559	100.381	1.458.841
Financial Derivative Assets	1.038.209	8.162.761	457.352	9.658.322
Financial Derivative Liabilities	4.818.308	3.024.202	356.971	8.199.481
Non-Cash Loans (**)	587.467	708.298	63.371	1.359.136
31 December 2016				
Total Assets (*)	3.788.462	4.968.340	16.656	8.773.458
Total Liabilities (*)	2.387.721	6.589.215	97.713	9.074.649
Net On-balance Sheet Position	1.400.741	(1.620.875)	(81.057)	(301.191)
Net Off-balance Sheet Position	(1.357.925)	1.459.157	81.299	182.531
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	2.086.936	72.216	4.558.573
Non-Cash Loans (**)	464.496	736.527	46.516	1.247.539

(*)The above table shows the Bank's foreign currency net position based on main currencies. Foreign currency indexed assets, classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. Due to this, foreign currency indexed loans amounting to TL 831.039 (31 December 2016: TL 878.488) classified as Turkish Lira assets in the 31 December 2017 financial statements are added to the table above; there is no foreign currency indexed loans received in the current period (31 December 2016: None). Besides this, in assets "Income Accruals of Derivative Financial Instruments" amounting to TL 21.351 (31 December 2016: TL 3.769), in liabilities "Expense Accruals of Derivative Financial Instruments" amounting to TL 54.410 (31 December 2016: TL 9.622), "General Provisions" amounting to TL 64.850 (31 December 2016: TL 53.785), free provision amounting to TL 23.997 (31 December 2016: TL 19.721) and "Marketable Securities Valuation Reserve" with "Hedging Derivative Financials" amounting to TL 6.230 (31 December 2016: TL 5.014) are not included in the table above.

(**)Non-cash loans are not included in the total of "Net Off-Balance Sheet Position".

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

V. EXPLANATIONS ON CURRENCY RISK (Continued):

Currency risk sensitivity analysis:

If foreign currency appreciated/depreciated against TL at a ratio of 10% and all other variables remain fixed as of December 31, 2017 and 2016, changes, which shall occur in net profit and equity regardless of tax effect due to exchange rate loss/profit sourcing from foreign currency net monetary position, are as follows:

	31 December 2017				31 December 2016			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	782	(782)	1.405	(1.405)	(16.172)	16.172	(16.673)	16.673
EUR	3.160	(3.160)	3.160	(3.160)	4.282	(4.282)	4.282	(4.282)
Other currency units	(517)	517	(517)	517	24	(24)	24	(24)
Total, net	3.425	(3.425)	4.048	(4.048)	(11.866)	11.866	(12.367)	12.367

(*) The equity effect also includes the effects of the income statement.

VI. EXPLANATIONS ON INTEREST RATE RISK:

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Bank's interest rate sensitive assets and liabilities. The interest sensitivity of risks regarding the interest rate both on the on-balance sheet and off-balance sheet are monitored following several analyses and are discussed in Asset and Liability Committee weekly.

The Bank closely monitors the maturity gap between liabilities and assets that may arise in the balance sheet to manage the interest rate risk better. Liquidity management is critical in the combination of investments, available-for-sale assets and the trading portfolio. Through using these precautions, the possible loss effects on the shareholders' equity due to both credit risk and interest risk during the volatile periods of the market are minimized.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates
(As for the remaining time to repricing):**

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.975.239	-	-	-	-	52.088	2.027.327
Due From Banks	133.919	-	-	-	-	23.398	157.317
Financial Assets at Fair Value Through Profit/Loss (*)	49.757	104.819	227.327	41.246	3.584	-	426.733
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	220	70.897	-	122.732	53.519	4.224	251.592
Loans	4.720.258	2.749.491	3.177.468	2.379.633	66.897	168.790	13.262.537
Held-to-Maturity Investments	-	-	-	171.218	-	-	171.218
Other Assets	-	-	-	-	-	510.585	510.585
Total Assets	6.879.393	2.925.207	3.404.795	2.714.829	124.000	759.085	16.807.309
Liabilities							
Bank Deposits	86.846	-	-	-	-	6.643	93.489
Other Deposits	5.608.546	2.182.603	712.796	54	-	330.627	8.834.626
Funds From Interbank Money Market	79.177	120.982	-	-	-	-	200.159
Miscellaneous Payables	-	-	-	-	-	272.791	272.791
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1.421.085	3.023.530	903.237	10.635	-	-	5.358.487
Other Liabilities (*) (**)	73.212	51.692	29.737	68.546	114	1.824.456	2.047.757
Total Liabilities	7.268.866	5.378.807	1.645.770	79.235	114	2.434.517	16.807.309
Balance Sheet Long Position	-	-	1.759.025	2.635.594	123.886	-	4.518.505
Balance Sheet Short Position	(389.473)	(2.453.600)	-	-	-	(1.675.432)	(4.518.505)
Off-balance Sheet Long Position	411.91	279.226	823.165	-	-	-	1.514.306
Off-balance Sheet Short Position	-	-	-	(1.339.630)	-	-	(1.339.630)
Total Position	22.442	(2.174.374)	2.582.190	1.295.964	123.886	(1.675.432)	174.676

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 262.867 and other liabilities includes hedging derivative financial liabilities amounting to TL 53.367 classified to a related re-pricing periods.

(**) Shareholders' Equity is presented in Non Interest Bearing column.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.095.882	-	-	-	-	222.979	1.318.861
Due From Banks	223.269	-	-	-	-	16.389	239.658
Financial Assets at Fair Value Through Profit/Loss	44.631	93.189	146.472	12.317	9.247	-	305.856
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	63.505	101.170	59.919	191.684	92.465	6.851	515.594
Loans	5.435.080	1.485.440	1.710.650	1.805.466	137.091	111.800	10.685.527
Held-to-Maturity Investments	-	-	-	74.975	86.632	-	161.607
Other Assets	-	-	-	-	-	494.513	494.513
Total Assets	6.862.367	1.679.799	1.917.041	2.084.442	325.435	852.532	13.721.616
Liabilities							
Bank Deposits	50.023	-	-	-	-	6.772	56.795
Other Deposits	5.203.829	2.167.616	424.968	280	-	456.345	8.253.038
Funds From Interbank Money Market	213.345	112.877	71.288	-	-	-	397.510
Miscellaneous Payables	-	-	-	-	-	202.930	202.930
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	227.567	2.478.988	554.963	2.679	-	-	3.264.197
Other Liabilities (*)	86.728	28.840	39.219	40.056	1.545	1.350.758	1.547.146
Total Liabilities	5.781.492	4.788.321	1.090.438	43.015	1.545	2.016.805	13.721.616
Balance Sheet Long Position	1.080.875	-	826.603	2.041.427	323.890	-	4.272.795
Balance Sheet Short Position	-	(3.108.522)	-	-	-	(1.164.273)	(4.272.795)
Off-balance Sheet Long Position	434.252	120.005	668.007	-	-	-	1.222.264
Off-balance Sheet Short Position	-	-	-	(1.106.689)	(39.091)	-	(1.145.780)
Total Position	1.515.127	(2.988.517)	1.494.610	934.738	284.799	(1.164.273)	76.484

(*) Shareholders' Equity is presented in Non-Interest Bearing column.

Interest rate sensitivity analysis :

Change in interest rate 31 December 2017	Profit/ Loss Effect	Effect on funds under equity
(+) 1%	(18.865)	(15.276)
(-) 1%	19.843	15.276

Change in interest rate 31 December 2016	Profit/ Loss Effect	Effect on funds under equity
(+) 1%	(826)	(13.818)
(-) 1%	890	13.818

In the above study, the effects of (+) 1% and (-) 1% change in interest rates on "capital back-up" items under period profit / loss and equity are shown excluding tax effects.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

Below the average interest rates are calculated by weighting the simple rates with their principals.

31 December 2017	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,50	-	4,00
Due From Banks	-	1,42	-	-
Financial Assets at Fair Value Through Profit/Loss	4,31	5,13	-	10,28
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,32	-	10,20
Loans	5,30	6,89	-	17,09
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	1,41	-	-
Other Deposits (*)	1,72	3,96	-	14,09
Funds From Interbank Money Market	-	2,61	-	9,50
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,56	3,89	-	6,64

(*) Demand deposits are included in the calculation of the weighted average interest rates.

31 December 2016	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,75	-	3,31
Due From Banks	0,01	0,55	-	-
Financial Assets at Fair Value Through Profit/Loss	4,79	7,90	-	9,09
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,42
Loans	4,91	6,29	-	15,17
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	-	-	8,16
Other Deposits (*)	1,95	3,28	-	11,00
Funds From Interbank Money Market	-	2,27	-	6,98
Miscellaneous Payables	-	-	-	11,25
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,54	3,77	-	6,67

(*) Demand deposits are included in the calculation of the weighted average interest rates.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

1. The measurement frequency of the interest rate risk with important estimations including those relating to the quality of the interest rate resulting from banking accounts, advance loan repayment and movements of deposits other than time deposits is explained by the following:

Interest rate risk resulting from the banking accounts is measured according to the month-end balance in accordance with "Regulation No. 28034 on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method", dated 23 August 2011.

Interest sensitive items are taken into consideration in accordance with the re-pricing period and depending on the estimated cash flows. Demand deposits are taken into account based on the core deposit calculations. The change calculated by implementing interest rate shocks on the differences created in accordance with the re-pricing periods of the assets and liabilities in the banking accounts is proportioned to the equities.

2. The table below presents the economic value differences resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

Currency	Applied Shock (+/- x basis point)	Earnings/ Losses	Earnings/ Equities-Losses/ Equities
1. TRY	+500bp	(107.200)	(4,0) %
2. TRY	-400bp	99.108	3,7%
3. EURO	+200bp	(17.891)	(0,7)%
4. EURO	-200bp	(1.882)	(0,1)%
5. USD	+200bp	(15.762)	(0,6)%
6. USD	-200bp	17.623	0,7%
Total (For Negative Shocks)		114.849	4,3%
Total (For Positive Shocks)		(140.853)	(5,3)%

VII. EXPLANATIONS ON THE SHARE CERTIFICATE POSITION RISK:

None.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO:

Liquidity risk is the risk generated as a result of not having an effect or cash inflow at a level which can meet cash outflow, formed because of an imbalance in cash flow, timely and completely.

Effective liquidity risk management requires assigning appropriate staff for measurement and monitoring and timely informing management of the bank. Board of directors and senior management is responsible to understand the nature and level of the liquidity risk taken by the Bank and the instruments measuring these risks. Additionally, Board of Directors and Senior Management are responsible for the compliance of funding strategies to risk tolerance which is determined to be applied.

Liquidity risk management framework of the Bank is determined with "Burgan Bank Risk Management Policy" and "Burgan Bank Liquidity Risk Policy" documents approved by Bank's Board of Directors and "Burgan Bank Risk Management Policy" and "Burgan Bank Treasury Policy" and "Burgan Bank Assets & Liabilities Management Committee (ALCO)" in scope of banking legislation.

Liquidity management is primarily under the responsibility of ALCO in accordance with the Liquidity Risk Management of the Bank. Treasury, Capital Markets and Financial Corporations Group are responsible to perform required actions in accordance with the liquidity standards determined in accordance with the Liquidity Risk Policy. Market Risk Departments is secondarily responsible and it is responsible to control and report compliance with the limits. Detailed information related to periodic and specific reports related to liquidity risk, stress tests, scenario tests, scenario analysis, compliance with risk limits and legal liquidity reports are included in Liquidity Risk Policy of the Bank.

Liquidity risk exposed by the Bank, risk appetite, liquidity risk reduction appropriate to liquidity and funding policies (diversification of funding sources and maturities, derivative transactions), establishment of effective control environment, risk limits, early warning and triggering market indicators are managed through monitoring closely.

The liquidity risk is removed by short term placements, liquid marketable assets wallet and strong equity structure in the management of liquidity risk. Board of Directors of Bank can perform limit reduction regardless of credit value in current placement limits when the volatility in markets increases. Management of the Bank and ALCO monitors possible marginal costs of payments and spurts as a result of studies made in scope of scenario analysis while tracking interest margin in diversified maturity segments between assets and liabilities. Borrowing limits which can be used in short-term for spurts from Central Bank, BIST Repo Market, Takasbank Money Market and banks are applied at a minimum level. The Bank does not need to use these sources because of its current liquidity position but it uses the aforementioned limits for short-term transaction opportunities. Assets, liabilities and positions on the basis of main types of currencies (currencies forming at least 5% of Bank's total liabilities) are managed under the control of Treasury and Capital Markets.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued):

Although the Bank is responsible to comply with liquidity limitations which are determined internally, it is primarily obliged with minimum liquidity limits determined by the legal legislation. There should be no excess in liquidity limits in accordance with the Bank's policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

Triggering market indicators are indicators which are tracked as early warning signals before the transition to stress environment which can form in the market as a result of ordinary business condition. Early warning limits related to liquidity risk in Bank are determined and aforementioned limits are monitored closely with the triggering market indicators.

Market Risk Department reports results of scenarios related to liquidity risk to Board of Directors, Risk Coordination Committee, Risk Committee and ALCO through making monthly calculations based on stress scenarios. These stress tests identify negative market conditions and potential fund outflows which occur in funding resources in a liquidity crisis. The purpose of stress test is to inform related committees and Board of Directors regarding liquidity outflows and derogation which can occur in the liquidity ratios of the Bank. Required actions are taken by ALCO if there are similar situations mentioned in stress scenarios.

An ALCO meeting is held with a call made by Treasury, Capital Markets and Deputy General Manager of Financial Corporations if there is a negative development sourcing from the group or liquidity. Precautions which shall be taken in this process are determined in scope of Liquidity Emergency Plan and details related to Liquidity Emergency Plan are included in Liquidity Risk Policy of the Bank.

The Bank has a central funding institution function in its relations with partners. Intra-group liquidity management and funding strategies are limited to related legal limitations.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued):

Liquidity Coverage Ratio:

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2017		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			1.898.181	1.523.594
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	5.779.074	3.035.614	552.707	303.561
3	Stable deposits	504.001	-	25.200	-
4	Less stable deposits	5.275.073	3.035.614	527.507	303.561
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.393.445	1.802.299	1.119.784	790.977
6	Operational deposits	889.707	789.073	222.427	197.269
7	Non-Operational Deposits	1.229.865	865.128	623.902	445.610
8	Other Unsecured Funding	273.873	148.098	273.455	148.098
9	Secured funding			-	-
10	Other Cash Outflows	49.608	44.346	49.608	44.346
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	49.608	44.346	49.608	44.346
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.578.928	1.526.444	303.670	186.372
16	TOTAL CASH OUTFLOWS			2.025.769	1.325.256
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.213.387	369.644	836.903	252.071
19	Other contractual cash inflows	18.022	207.655	18.022	207.655
20	TOTAL CASH INFLOWS	1.231.409	577.299	854.925	459.726
				Upper Bound Applied Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS			1.898.181	1.523.594
22	TOTAL NET CASH OUTFLOWS			1.170.844	865.530
23	Liquidity Coverage Ratio (%)			162,12	176,03

(*)The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued):

31 December 2016		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			1.064.234	788.862
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	4.882.177	2.716.517	462.514	271.652
3	Stable deposits	514.082	-	25.704	-
4	Less stable deposits	4.368.095	2.716.517	436.810	271.652
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.109.565	1.432.911	977.382	627.043
6	Operational deposits	879.826	674.920	219.956	168.730
7	Non-Operational Deposits	1.051.389	685.134	579.076	385.456
8	Other Unsecured Funding	178.350	72.857	178.350	72.857
9	Secured funding			22.034	22.034
10	Other Cash Outflows	54.806	157.262	54.806	157.262
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	54.806	157.262	54.806	157.262
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.098.544	1.115.552	237.544	131.016
16	TOTAL CASH OUTFLOWS			1.754.280	1.209.007
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	980.420	273.477	583.008	201.875
19	Other contractual cash inflows	15.110	147.582	15.110	147.582
20	TOTAL CASH INFLOWS	995.530	421.059	598.118	349.457
				Upper Bound Applied Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS			1.064.234	788.862
22	TOTAL NET CASH OUTFLOWS			1.156.162	859.550
23	Liquidity Coverage Ratio (%)			92,05	91,78

(*)The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued):

Liquidity coverage rate is calculated through estimating high quality liquid assets owned by the Bank to net cash out flows based on 30 days of maturity. Balance items which are determinant on the ratio are sorted as required reserves kept in Central Bank of Turkey, securities which are not subject to repo/guarantee, deposit having a corporate transaction, banks deposits, foreign sourced funds and receivables from banks. The impacts of aforementioned items on liquidity coverage ratio are higher than other items since they have a higher share in liquid assets and net cash out flows and they can change in time.

High quality liquid assets of the Bank consist of accounts in Central Bank of Turkey, at a ratio of 90% and securities issued by Undersecretariat of Treasury at a ratio of 7%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 24%, 48% and 16% respectively.

Fluctuations in foreign currency derivative transaction volumes, mainly in foreign currency swaps, can have an impact on foreign currency liquidity coverage rate although derivative transactions generate a lower level of net cash flow with respect to liquidity coverage rate.

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. Information regarding aforementioned cash outflow in 31 December 2017 are as follows:

	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
Date	FC	FC + TL
31 December 2017	10.329	10.329

Liquidity coverage rates are calculated weekly for consolidated basis and monthly for unconsolidated basis as of 31 December 2015 in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. Liquidity coverage rates must be at least 60% for foreign currency assets and liabilities and at least 80% in total assets and liabilities for the period 31 December 2017. Dates and values of lowest and highest foreign currency and total unconsolidated liquidity coverage rates calculated weekly related to the last quarter and average rates are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC+TL	FC	FC + TL
Weekly Arithmetic Average (%)	205,45	202,56	150,60	143,32
Week	29.10.2017	24.12.2017	31.12.2017	08.10.2017

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

**VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE
RATIO (Continued):**

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 2017	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (***)	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	52.088	1.975.239	-	-	-	-	-	2.027.327
Due From Banks	23.398	133.919	-	-	-	-	-	157.317
Financial Assets at Fair Value Through Profit or Loss (*)	-	37.456	26.019	60.252	291.710	11.296	-	426.733
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	-	220	193.628	53.519	4.225	251.592
Loans	-	1.452.633	1.644.966	2.891.287	5.737.682	1.367.179	168.790	13.262.537
Held-to-Maturity Investments	-	-	-	-	171.218	-	-	171.218
Other Assets (**)	-	20.163	451	14.719	23.837	3.046	448.369	510.585
Total Assets	75.486	3.619.410	1.671.436	2.966.478	6.418.075	1.435.040	621.384	16.807.309
Liabilities								
Bank Deposits	6.643	86.846	-	-	-	-	-	93.489
Other Deposits	330.627	5.608.546	2.182.603	712.796	54	-	-	8.834.626
Funds Borrowed From Other Financial Institutions	-	248.702	50.132	2.105.432	1.813.639	1.140.582	-	5.358.487
Funds From Interbank Money Market	-	1.206	-	68.975	129.978	-	-	200.159
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	228.235	-	-	-	-	44.556	272.791
Other Liabilities (*) (***)	-	144.404	40.014	48.918	115.138	2.167	1.697.116	2.047.757
Total Liabilities	337.270	6.317.939	2.272.749	2.936.121	2.058.809	1.142.749	1.741.672	16.807.309
Net Liquidity Gap	(261.784)	(2.698.529)	(601.313)	30.357	4.359.266	292.291	(1.120.288)	-
Net Off-balance sheet Position	-	374.845	275.839	519.968	8.053	1.277	-	1.179.982
Financial Derivative Assets	-	4.502.840	1.826.526	931.113	1.480.876	1.848	-	8.743.203
Financial Derivative Liabilities	-	(4.127.995)	(1.550.687)	(411.145)	(1.472.823)	(571)	-	(7.563.221)
Non-cash Loans	-	1.034.096	83.673	626.108	368.523	6.249	-	2.118.649
31 December 2016								
Total Assets	43.267	2.753.650	1.748.204	2.224.458	4.946.127	1.443.331	562.579	13.721.616
Total Liabilities	463.117	5.829.525	2.306.505	2.260.580	419.471	1.138.336	1.304.082	13.721.616
Net Liquidity Gap	(419.850)	(3.075.875)	(558.301)	(36.122)	4.526.656	304.995	(741.503)	-
Net Off-balance sheet Position	-	451.497	193.290	48.895	(94.741)	840	-	599.781
Financial Derivative Assets	-	2.349.223	963.496	486.348	798.626	2.101	-	4.599.794
Financial Derivative Liabilities	-	(1.897.726)	(770.206)	(437.453)	(893.367)	(1.261)	-	(4.000.013)
Non-cash Loans	-	1.213.835	176.257	385.465	206.150	529	-	1.982.236

(*) The 1-5 years maturity period of Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 262.867 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 53.367 in mainly 1-5 years maturity period.

(**) Assets that are necessary for banking activities, such as fixed and intangible assets, subsidiaries, associates and stationary stocks are classified in this column.

(***) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued):

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2017	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	93.496	-	-	-	-	93.496
Funds borrowed from other financial institutions	5.956.286	2.213.385	737.156	73	-	8.906.900
Funds from money market	258.021	68.809	2.171.282	2.005.809	1.222.862	5.726.783
Payables to money market	1.206	-	70.058	130.298	-	201.563
Total	6.309.008	2.282.193	2.978.497	2.136.180	1.222.862	14.928.741

31 December 2016	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	56.806	-	-	-	-	56.806
Funds borrowed from other financial institutions	5.671.915	2.185.214	431.684	312	-	8.289.125
Funds from money market	51.994	131.479	1.834.843	410.937	1.204.894	3.634.147
Payables to money market	212.180	-	-	129.753	55.923	397.856
Total	5.992.895	2.316.693	2.266.527	541.002	1.260.817	12.377.934

Derivative instruments of bank, counter-based maturity analysis:

31 December 2017	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	4.476.568	1.807.983	799.512	2.771	-	7.086.834
- Out	4.100.161	1.529.657	252.405	2.567	-	5.884.790
Interest rate derivatives:						
- Entry	1.962	4.698	11.234	18.143	1.848	37.885
- Out	1.096	2.529	4.184	6.186	571	14.566
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	24.045	12.517	120.172	1.459.895	-	1.616.629
- Out	26.113	16.481	151.498	1.447.815	-	1.641.907
Interest rate derivatives:						
- Entry	265	1.328	195	67	-	1.855
- Out	625	2.020	3.058	16.255	-	21.958
Total cash entry	4.502.840	1.826.526	931.113	1.480.876	1.848	8.743.203
Total cash out	4.127.995	1.550.687	411.145	1.472.823	571	7.563.221

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

**VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE
RATIO (Continued):**

31 December 2016	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	2.341.552	958.975	476.146	72.665	-	3.849.338
- Out	1.890.528	756.847	385.077	71.217	-	3.103.669
Interest rate derivatives:						
- Entry	7.266	2.932	9.553	11.792	2.101	33.644
- Out	6.803	2.003	7.653	10.839	1.261	28.559
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	190	1.522	504	713.925	-	716.141
- Out	-	11.100	44.001	809.547	-	864.648
Interest rate derivatives:						
- Entry	215	67	145	244	-	671
- Out	395	256	722	1.764	-	3.137
Total cash entry	2.349.223	963.496	486.348	798.626	2.101	4.599.794
Total cash out	1.897.726	770.206	437.453	893.367	1.261	4.000.013

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

IX. EXPLANATIONS ON LEVERAGE RATIO:

Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2017, leverage ratio of the Bank calculated from the arithmetic average of the three months is 5,91% (31 December 2016: 6,08%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet assets.

Disclosure of Leverage ratio template :

	31 December 2017 (*)	31 December 2016 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	16.842.135	13.105.162
(Assets deducted from Core capital)	56.269	56.278
Total risk amount of balance sheet assets	16.785.866	13.048.884
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	360.397	213.654
Potential credit risk amount of derivative financial assets and credit derivatives	117.001	86.615
Total risk amount of derivative financial assets and credit derivatives	477.398	300.269
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.161.106	3.111.949
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.161.106	3.111.949
Capital and total risk		
Core Capital	1.206.141	1.000.354
Total risk amount	20.424.370	16.461.102
Leverage ratio		
Leverage ratio	5,91%	6,08%

(*) The arithmetic average of the last 3 months in the related periods

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

X. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 December 2017, The Bank applies cash flow hedge accounting using interest swaps to hedge its FC deposits with an average maturity up to 3 months against interest rate fluctuations. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

The swaps, of which carrying amount is TL 262.867 (31 December 2016: 181.017) derivative financial assets and TL 53.367 derivative financial liabilities (31 December 2016: 29.486), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 18.341 (31 December 2016: TL 12.699 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2016: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds (*)	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	260.119	50.816	36.993	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	2.748	2.551	3.263	-

(*) Includes TMS27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TAS 39, the accounting application is ended. In case of deterioration of efficiency, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2016: None).

It is determined in the measurements carried out as of the date of 31 December 2017 that above mentioned cash flow hedging transactions are effective.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank's current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities.

The following table summarises the book values and fair values of some financial assets and liabilities of the Bank.

	Book Value		Fair Value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial Assets	13.842.664	11.602.386	13.963.723	11.588.387
Due from Money Market	-	-	-	-
Due from Banks	157.317	239.658	157.317	239.657
Available-for-Sale Financial Assets	251.592	515.594	251.592	515.594
Held-to-maturity Investments	171.218	161.607	171.897	162.239
Loans	13.262.537	10.685.527	13.382.917	10.670.897
Financial Liabilities	14.559.393	11.776.960	14.564.453	11.784.582
Bank Deposits	93.489	56.795	93.480	56.795
Other Deposits	8.834.626	8.253.038	8.838.106	8.259.177
Borrowings	5.358.487	3.264.197	5.360.076	3.265.680
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	272.791	202.930	272.791	202.930

b. Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

- Quoted market prices (non-adjusted) (1st level)
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- Data not based on observable data regarding assets or liabilities (3rd level)

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued):

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

31 December 2017	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	5.441	158.425	-	163.866
Government Debt Securities	5.310	-	-	5.310
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	158.425	-	158.425
Other marketable securities	131	-	-	131
Available for Sale Financial Assets (*)	246.647	4.945	-	251.592
Share Certificates	-	4.225	-	4.225
Government Debt Securities	246.647	-	-	246.647
Other Marketable Securities	-	720	-	720
Hedging Derivative Financial Assets	-	262.867	-	262.867
Total Assets	252.088	426.237	-	678.325
Trading Derivative Financial Liabilities	-	169.934	-	169.934
Hedging Derivative Financial Liabilities	-	53.367	-	53.367
Total Liabilities	-	223.301	-	223.301

31 December 2016	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	13.650	111.189	-	124.839
Government Debt Securities	12.815	-	-	12.815
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	111.189	-	111.189
Other Marketable Securities	835	-	-	835
Available for Sale Financial Assets (*)	431.179	84.415	-	515.594
Share Certificates	-	6.849	-	6.849
Government Debt Securities	431.179	-	-	431.179
Other Marketable Securities	-	77.566	-	77.566
Hedging Derivative Financial Assets	-	181.017	-	181.017
Total Assets	444.829	376.621	-	821.450
Trading Derivative Financial Liabilities	-	166.902	-	166.902
Hedging Derivative Financial Liabilities	-	29.486	-	29.486
Total Liabilities	-	196.388	-	196.388

(*)As noted in the footnote VII-d, written down values of available for sale securities are reported if the such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason. There is not any transfer between 1st and 2nd levels in the current year.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

XII. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES:

Bank carries out marketable security trading and custody services on behalf of customers and on their account. The details of items held in custody is given in off-balance sheet commitments.

XIII. EXPLANATIONS ON OPERATING SEGMENTS:

The Bank manages its banking operations through three main business units: retail banking, corporate and commercial banking, SME and treasury.

Retail banking provides products and services to individual and small business customers. Products and services include primarily deposit, loan, credit card, automatic payment services, internet banking and other various banking services.

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade products, non-cash loans, foreign currency transaction services and other corporate banking services to corporate clients.

Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

Stated balance sheet and income statement items based on operating segments:

31 December 2017	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
Net Interest Income	66.484	346.030	30.387	-	442.901
Net Fees and Comissions	5.834	25.182	-	-	31.016
Commercial Profit/Loss	7.850	18.635	(9.037)	-	17.448
Other Operating Income	2.748	11.859	-	-	14.607
Operating Income	82.916	401.706	21.350	-	505.972
Operating Costs (-)	68.023	218.061	25.850	71.865	383.799
Net Operating Income	14.893	183.645	(4.500)	(71.865)	122.173
Dividend Income	-	-	-	328	328
Income/(Loss) from subsidiaries based on equity method	-	-	-	17.168	17.168
Profit Before Tax	14.893	183.645	(4.500)	(54.369)	139.669
Tax Provisions (-)	2.978	36.729	(900)	(8.986)	29.821
Net Profit / Loss	11.915	146.916	(3.600)	(45.383)	109.848
Segment Assets	1.320.669	13.090.466	1.885.589	-	16.296.724
Investments in associates, subsidiaries and joint ventures	-	-	-	256.972	256.972
Unallocated Assets	-	-	-	253.613	253.613
Total Assets	1.320.669	13.090.466	1.885.589	510.585	16.807.309
Segments Liabilities	5.749.776	3.127.951	5.875.421	541.686	15.294.834
Unallocated Liabilities	-	-	-	1.512.475	1.512.475
Total Liabilities	5.749.776	3.127.951	5.875.421	2.054.161	16.807.309

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)**

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
31 December 2016					
Net Interest Income	40.263	286.380	41.131	-	367.774
Net Fees and Comissions	3.969	19.211	-	-	23.180
Commercial Profit/Loss	9.136	11.941	1.595	-	22.672
Other Operating Income	1.585	7.669	-	-	9.254
Operating Income	54.953	325.201	42.726	-	422.880
Operating Costs (-)	40.273	182.424	12.870	101.305	336.872
Net Operating Income	14.680	142.777	29.856	(101.305)	86.008
Dividend Income	-	-	-	328	328
Income/(Loss) from subsidiaries based on equity method	-	-	-	5.026	5.026
Profit Before Tax	14.680	142.777	29.856	(95.951)	91.362
Tax Provisions (-)	2.936	28.555	5.971	(17.773)	19.689
Net Profit / Loss	11.744	114.222	23.885	(78.178)	71.673
31 December 2016					
Segment Assets	691.560	10.724.366	1.811.177	-	13.227.103
Investments in associates, subsidiaries and joint ventures	-	-	-	237.171	237.171
Unallocated Assets	-	-	-	257.342	257.342
Total Assets	691.560	10.724.366	1.811.177	494.513	13.721.616
Segments Liabilities	4.950.035	3.421.576	3.858.095	-	12.229.706
Unallocated Liabilities	-	-	-	1.491.910	1.491.910
Total Liabilities	4.950.035	3.421.576	3.858.095	1.491.910	13.721.616

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

a. Information related to cash and the account of Central Bank of the Republic of Turkey (“CBRT”):

1. Information on cash and the account of the CBRT:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign currency	12.414	39.651	11.493	15.353
CBRT	1.022.011	953.251	149.757	1.142.258
Other	-	-	-	-
Total	1.034.425	992.902	161.250	1.157.611

2. Information on the account of the CBRT:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount	955.529	6.766	149.757	224.976
Time Unrestricted Amount	66.482	-	-	-
Time Restricted Amount	-	946.485	-	917.282
Total	1.022.011	953.251	149.757	1.142.258

3. Information on reserve requirements:

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 December 2017 (31 December 2016: 4% and 10,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2017 (31 December 2016: 4% and 24% for all foreign currency liabilities).

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

b. Information on financial assets at fair value through profit or loss:

1. As of 31 December 2017, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2016:None).
2. Positive differences related to derivative financial instruments held for trading:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	23.695	9.926	14.659	1.638
Swap Transactions	52.550	44.250	45.831	28.788
Futures Transactions	-	-	-	-
Options	1.722	26.282	588	19.685
Other	-	-	-	-
Total	77.967	80.458	61.078	50.111

c. Information on banks:

1. Information on banks:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	16	1.888	22	223.273
Foreign	-	155.413	-	16.363
Headquarters and Branches Abroad	-	-	-	-
Total	16	157.301	22	239.636

2. Information on foreign banks

	Unrestricted Amount		Restricted Amount	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
EU Countries	11.617	10.828	-	-
USA, Canada	7.932	4.829	-	-
OECD Countries (*)	3.608	470	-	-
Off-shore Banking Regions	-	-	-	-
Others	132.256	236	-	-
Total	155.413	16.363	-	-

(*)OECD countries except EU countries,USA and Canada.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

d. Information on available-for-sale financial assets:

1. Characteristics and carrying values of available-for-sale financial assets given as collateral:

As of 31 December 2017, there are TL 53.202 available-for-sale financial assets given as collateral/blocked (31 December 2016: TL 29.408) and those subject to repurchase agreements amounts to TL 96.867 (31 December 2016: TL 295.810).

2. Information on available-for-sale financial assets:

	31 December 2017	31 December 2016
Debt Securities	249.658	515.136
Quoted on Stock Exchange	249.658	515.136
Not Quoted	-	-
Share Certificates	4.225	6.849
Quoted on Stock Exchange	-	-
Not Quoted	4.225	6.849
Impairment Provision (-)	2.291	6.391
Total	251.592	515.594

e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Bank:

	31 December 2017		31 December 2016	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	-	-	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	4.660	-	6.288	-
Total	4.660	-	6.288	-

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

2. Information on the first and second group loans and other receivables including the loans that have been restructured or rescheduled and other receivables:

i.

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Restructured or Rescheduled		Loans and Other Receivables (Total)	Restructured or Rescheduled	
		Loans with Restructured Payment Plans	Other		Loans with Restructured Payment Plans	Other
Non-Specialised Loans	12.020.243	4.102	-	1.078.938	273.220	315
Loans Given to Enterprises	-	-	-	785	-	-
Export Loans	834.958	-	-	98.599	1.695	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	569.218	-	-	-	-	-
Consumer Loans	534.344	4.102	-	33.465	1.635	-
Credit Cards	6.407	-	-	520	-	-
Other (*)	10.075.316	-	-	945.569	269.890	315
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	12.020.243	4.102	-	1.078.938	273.220	315

(*) The Bank also has TL 6 factoring loans in the Other account.

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	4.102	273.220
3, 4 or 5 times	-	-
Over 5 times	-	-
Total	4.102	273.220

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	17	232.124
6 Months – 12 Months	-	-
1-2 Years	4.085	1.624
2-5 Years	-	-
5 Years and Over	-	39.472
Total	4.102	273.220

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	2.607.493	17	122.241	10.370
Non-specialised Loans	2.607.493	17	122.241	10.370
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	9.408.648	4.085	683.162	263.165
Non-specialised Loans	9.408.648	4.085	683.162	263.165
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
TOTAL	12.016.141	4.102	805.403	273.535

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	20.868	532.600	553.468
Real estate loans	-	98.165	98.165
Automotive loans	167	16.761	16.928
Consumer loans	20.701	417.674	438.375
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	4.650	4.650
Real estate loans	-	4.272	4.272
Automotive loans	-	-	-
Consumer loans	-	378	378
Other	-	-	-
Individual Credit Cards-TL	3.674	-	3.674
With installments	-	-	-
Without installments	3.674	-	3.674
Individual Credit Cards- FC	171	-	171
With installments	-	-	-
Without installments	171	-	171
Personnel Loans-TL	306	3.550	3.856
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	306	3.550	3.856
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	780	-	780
With installments	-	-	-
Without installments	780	-	780
Personnel Credit Cards-FC	24	-	24
With installments	-	-	-
Without installments	24	-	24
Credit Deposit Account-TL (Real Person)	5.835	-	5.835
Credit Deposit Account-FC (Real Person)	-	-	-
Total	31.658	540.800	572.458

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

5. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	61.407	1.855.103	1.916.510
Real estate Loans	-	-	-
Automotive Loans	28	9.057	9.085
Consumer Loans	61.379	1.846.046	1.907.425
Other	-	-	-
Commercial Installments Loans-FC Indexed	6.216	531.067	537.283
Real estate Loans	-	-	-
Automotive Loans	9	4.915	4.924
Consumer Loans	6.207	526.152	532.359
Other	-	-	-
Commercial Installments Loans-FC	-	4.035.968	4.035.968
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	4.035.968	4.035.968
Other	-	-	-
Corporate Credit Cards-TL	2.217	-	2.217
With installments	-	-	-
Without installments	2.217	-	2.217
Corporate Credit Cards-FC	61	-	61
With installments	-	-	-
Without installments	61	-	61
Credit Deposit Account-TL (Legal Person)	18.043	-	18.043
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	87.944	6.422.138	6.510.082

6. Loans according to types of borrowers:

	31 December 2017	31 December 2016
Public	-	-
Private	13.099.181	10.573.728
Total	13.099.181	10.573.728

7. Distribution of domestic and foreign loans:

	31 December 2017	31 December 2016
Domestic Loans	13.099.181	10.573.728
Foreign Loans	-	-
Total	13.099.181	10.573.728

8. Loans given to associates and subsidiaries;

	31 December 2017	31 December 2016
Direct Loans given to associates and subsidiaries	21.693	-
Indirect Loans given to associates and subsidiaries	-	-
Total	21.693	-

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

9. Specific provisions provided against loans:

	31 December 2017	31 December 2016
Loans and Other Receivables with Limited Collectability	4.554	12.293
Loans and Other Receivables with Doubtful Collectability	12.027	17.709
Uncollectible Loans and Other Receivables	165.724	89.416
Total	182.305	119.418

10. Information on non-performing loans (Net):

i. Information on non-performing loans restructured or rescheduled and other receivables:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2017			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	6.069
31 December 2016			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	233	707	7.204

ii. Information on the movement of total non-performing loans:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period End Balance	44.301	43.815	143.101
Additions (+)	148.762	13.609	11.640
Transfers from Other Categories of Non performing Loans (+)	-	105.843	102.320
Transfers to Other Categories of Non-performing Loans (-)	105.843	102.320	-
Collections (-)	20.875	10.037	28.655
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period	66.345	50.910	228.406
Specific Provision (-)	4.554	12.027	165.724
Net Balance on Balance Sheet	61.791	38.883	62.682

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

iii. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2017			
Period-End Balance	2.938	9.301	48.742
Specific Provision (-)	349	1.163	40.987
Net Balance on balance sheet	2.589	8.138	7.755
31 December 2016			
Period-End Balance	22.201	14.453	11.390
Specific Provision (-)	9.377	7.229	3.932
Net Balance on balance sheet	12.824	7.224	7.458

iv. Information on non-performing loans based on types of borrowers:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	61.791	38.883	62.682
Loans Given to Real Persons and Legal Persons (Gross)	66.345	50.910	228.406
Specific Provision Amount (-)	4.554	12.027	165.724
Loans Given to Real Persons and Legal Persons (Net)	61.791	38.883	62.682
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	32.008	26.106	53.685
Loans Given to Real Persons and Legal Persons (Gross)	44.301	43.815	143.101
Specific Provision Amount (-)	12.293	17.709	89.416
Loans Given to Real Persons and Legal Persons (Net)	32.008	26.106	53.685
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

1. Policy followed-up for the collection of uncollectible loans and other receivables::

The Bank aims to collect uncollectible loans and other receivables through the liquidation of collaterals by legal procedures.

2. Explanations on the write-off policy:

The write off transactions from the Bank's assets are performed in accordance with the regulation.

f. Information on held-to-maturity investments :

1. Information on held-to-maturity financial assets subject to repurchase agreements:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	171.218	-	161.607
Other	-	-	-	-
Total	-	171.218	-	161.607

2. Information on held-to-maturity financial assets given as collateral/blocked:

None (31 December 2016 : None).

3. Information on government debt securities held-to-maturity:

	31 December 2017	31 December 2016
Government Bond	171.218	161.607
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	171.218	161.607

4. Information on investment securities held-to-maturity :

	31 December 2017	31 December 2016
Debt securities	171.218	161.607
Publicly-traded	171.218	161.607
Not publicly-traded	-	-
Provision for impairment	-	-
Total	171.218	161.607

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

f. Information on held-to-maturity investments (Continued) :

5. Movement of held-to-maturity investments within the period :

	31 December 2017	31 December 2016
Opening balance	161.607	-
Foreign exchange differences in monetary assets	9.611	-
Purchases during the year	-	161.607
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	171.218	161.607

g. Information on investments in associates (Net):

None (31 December 2016: None).

h. Information on subsidiaries (Net):

1. Information on unconsolidated subsidiaries:

None (31 December 2016: None).

2. Main financial figures of the unconsolidated subsidiaries in order of the below table:

None (31 December 2016: None).

3. Information on subsidiaries that are consolidated in consolidated accounts:

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage(%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
2	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary, -Burgan Wealth Limited Dubai	Istanbul/Turkey Dubai/UAE	100,00 100,00	- -

(*)According to the results the date of 30 June 2016 Burgan Portföy Yönetimi A.Ş. which is subsidiary of Burgan Yatırım Menkul Değerler A.Ş., two-thirds of the total capital and legal reserves were unrequited due to current and previous years losses. Through Board of Directors' decision dated 14 May 2016, company management has decided to pay off their funds and following that, company and its main partner Burgan Yatırım Menkul Değerler A.Ş. are merged. On the date of 17 May 2016, these decisions are notified in written to the Capital Market Board. On the date of 21 October 2016, by permission of the Capital Market Board, mutual funds which is founded by Burgan Portföy Yönetimi A.Ş. were liquidated on May 2, 2017. On the date of 06 October 2017, the merger process of companies was completed.

4. Main financial figures of the consolidated subsidiaries in the order of the above table:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	2.184.523	199.787	12.413	147.756	-	34.559	23.293	-
2(*)	127.265	57.269	4.414	12.467	3.047	(17.391)	(18.267)	-

(*) The consolidated values of Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

5. Movement schedules of subsidiaries:

	31 December 2017	31 December 2016
Balance at the beginning of the Period	237.171	228.722
Movements during the Period	19.801	8.449
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase (*)	19.801	8.449
Impairment Provision	-	-
Balance at the end of the Period	256.972	237.171
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	99,99%	99,99%

(*) Includes the increases that occurred in the third part referred to footnote I in accordance with TAS 27 related with the equity method accounting.

6. Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

Subsidiaries	31 December 2017	31 December 2016
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	206.686	172.512
Finance Companies	-	-
Other Financial Subsidiaries	50.286	64.659
Total	256.972	237.171

7. Subsidiaries quoted on stock exchange:

None (31 December 2016: None).

i. Information on joint ventures:

None (31 December 2016: None).

j. Information on lease receivables (net):

None (31 December 2016: None).

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

k. Information on hedging derivative financial assets:

	31 December 2017		31 December 2016	
	TP	FC	TP	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	257.159	5.708	176.246	4.771
Foreign Net Investment Hedge	-	-	-	-
Total	257.159	5.708	176.246	4.771

l. Information on investment property:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2015				
Cost	24.541	-	71.873	96.414
Accumulated depreciation (-)	2.541	-	35.846	38.387
Net book value	22.000	-	36.027	58.027
31 December 2016				
Net book value at beginning of the period	22.000	-	36.027	58.027
Additions	-	-	8.457	8.457
Disposals (-) (net)	-	-	122	122
Impairment (-)	-	-	-	-
Depreciation (-)	456	-	8.163	8.619
Revaluation Increase	1.256	-	-	1.256
Cost at Period End	25.797	-	74.640	100.437
Accumulated Depreciation at Period End (-)	2.997	-	38.441	41.438
Closing Net Book Value at Period End	22.800	-	36.199	58.999

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2016				
Cost	25.797	-	74.640	100.437
Accumulated depreciation (-)	2.997	-	38.441	41.438
Net book value	22.800	-	36.199	58.999
31 December 2017				
Net book value at beginning of the period	22.800	-	36.199	58.999
Additions	-	-	6.025	6.025
Disposals (-), net	-	-	679	679
Impairment (-)	-	-	-	-
Depreciation (-)	450	-	8.668	9.118
Revaluation Increase	150	-	-	150
Cost at Period End	25.947	-	75.084	101.031
Accumulated Depreciation at Period End (-)	3.447	-	42.207	45.654
Closing Net Book Value at Period End	22.500	-	32.877	55.377

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

m. Information on intangible assets:

1. Book value and accumulated depreciation at the beginning and at the end of the period:

	31 December 2017	31 December 2016
Gross Book Value	86.517	78.392
Accumulated Depreciation (-)	41.432	32.040
Net Book Value	45.085	46.352

2. Information on movements between the beginning and end of the period:

	31 December 2017	31 December 2016
Beginning of the Period	46.352	42.609
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	8.125	11.572
Disposals	-	22
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	9.392	7.807
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	45.085	46.352

n. Information on investment property:

None (31 December 2016: None).

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

o. Information on deferred tax asset:

As of 31 December 2017, the Bank has netted-off the calculated deferred tax asset of TL 19.982 (31 December 2016: TL 16.459) and deferred tax liability of TL 53.463 (31 December 2016: TL 30.255) in accordance with "TAS 12" and has recorded a net deferred tax liability of TL 33.481 (31 December 2016: TL 13.796 net deferred tax asset) in the financial statements.

p. Information on assets held for resale and discontinued operations:

The Bank has assets held for resale amounting to TL 45.085 (31 December 2016: TL 45.165) and has no discontinued operations.

Prior Period	31 December 2017	31 December 2016
Cost	45.996	7.196
Accumulated Depreciation (-)	831	511
Net Book Value	45.165	6.685
Current Period		
Net book value at beginning of the period	45.165	6.685
Additions	13.340	41.077
Disposals (-), net	12.977	2.131
Impairment (-)	397	49
Depreciation (-)	46	417
Cost	45.652	45.996
Accumulated Depreciation (-)	567	831
Closing Net Book Value	45.085	45.165

r. Information on other assets:

As of 31 December 2017, other assets amount to TL 108.066 (31 December 2016: TL 105.363) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 December 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.527	-	225.597	2.333.196	100.087	78.556	76.825	-	2.845.788
Foreign Currency Deposits	188.533	-	382.406	3.662.979	900.151	156.529	27.762	-	5.318.360
Residents in Turkey	175.127	-	362.213	3.625.377	887.658	155.010	24.659	-	5.230.044
Residents Abroad	13.406	-	20.193	37.602	12.493	1.519	3.103	-	88.316
Public Sector Deposits	5.699	-	-	-	-	-	-	-	5.699
Commercial Deposits	99.286	-	42.787	194.062	19.354	23.409	206.176	-	585.074
Other Institutions Deposits	5.582	-	1.039	38.820	2.097	21.205	10.962	-	79.705
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.643	-	86.846	-	-	-	-	-	93.489
The CBRT	-	-	65.720	-	-	-	-	-	65.720
Domestic Banks	120	-	21.126	-	-	-	-	-	21.246
Foreign Banks	6.523	-	-	-	-	-	-	-	6.523
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	337.270	-	738.675	6.229.057	1.021.689	279.699	321.725	-	-8.928.115

ii. 31 December 2016:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.555	-	147.467	1.700.052	141.681	24.122	54.300	-	2.099.177
Foreign Currency Deposits	349.360	-	224.981	4.002.789	637.320	158.834	77.070	-	5.450.354
Residents in Turkey	297.584	-	224.531	3.940.283	628.322	156.889	23.584	-	5.271.193
Residents Abroad	51.776	-	450	62.506	8.998	1.945	53.486	-	179.161
Public Sector Deposits	5.453	-	-	1.030	-	-	-	-	6.483
Commercial Deposits	68.490	-	95.244	323.206	54.162	2.369	1.426	-	544.897
Other Institutions Deposits	1.487	-	6.579	120.098	12.294	142	11.527	-	152.127
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.772	-	50.023	-	-	-	-	-	56.795
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	78	-	50.023	-	-	-	-	-	50.101
Foreign Banks	6.694	-	-	-	-	-	-	-	6.694
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	463.117	-	524.294	6.147.175	845.457	185.467	144.323	-	8.309.833

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

2. Information on saving deposits insurance:

i. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Saving Deposits				
Saving Deposits	696.957	568.395	2.148.831	1.530.782
Foreign Currency Savings Deposit	244.679	198.348	2.688.262	2.622.810
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Total	941.636	766.743	4.837.093	4.153.592

ii. There are no deposits covered under foreign authorities' insurance since the Bank is incorporated in Turkey.

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	31 December 2017	31 December 2016
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	23.562	25.687
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCK” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
Total	23.562	25.687

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

b. Information on trading derivative financial liabilities:

Schedule of negative differences concerning derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	18.993	2.876	26.467	5.586
Swap Transactions	59.584	61.434	103.875	11.999
Futures Transactions	-	-	-	-
Options	307	26.740	482	18.493
Other	-	-	-	-
Total	78.884	91.050	130.824	36.078

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	37.019	78.001	24.711	48.646
From Foreign Banks, Institutions and Funds	-	4.102.885	-	2.133.362
Total	37.019	4.180.886	24.711	2.182.008

2. Information on maturity structure of borrowings:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	37.019	502.943	24.711	216.447
Medium and Long-term	-	3.677.943	-	1.965.561
Total	37.019	4.180.886	24.711	2.182.008

3. Additional information on the major concentration of the Bank's liabilities:

The Bank's main funding sources are deposits and borrowings. As of 31 December 2017, deposits and borrowings from Bank's risk group comprise 1% (31 December 2016: 1%) of total deposits. Besides this, Borrowings from Bank's risk group comprise 48% (31 December 2016: 59%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2016: None).

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

e. Information on other foreign liabilities:

Other liabilities amounting to TL 53.860 (31 December 2016: TL 67.273) do not exceed 10% of the total of the balance sheet excluding off-balance sheet commitments.

f. Information on lease payables (net):

None (31 December 2016: None).

g. Information on hedging derivative financial liabilities:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	40.807	12.560	27.528	1.958
Foreign Net Investment Hedge	-	-	-	-
Total	40.807	12.560	27.528	1.958

h. Information on provisions:

1. Information on general provisions:

	31 December 2017	31 December 2016
General Provisions	107.566	90.245
Provisions for First Group Loans and Receivables	94.018	80.121
Additional Provision for Loans and Receivables with Extended Maturities (*)	-	-
Provisions for Second Group Loans and Receivables	10.911	7.692
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Non-Cash Loans	2.166	1.913
Other	471	519

(*)As of December 14, 2016, the Bank has set aside the minimum rates stipulated in the Regulation on the Procedures and Principles for the Determination of the Characteristics of Loans and Other Receivables and the Provisions to be Made on the Banks for the Standard Cash Loans at a rate of 0,5%.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)

2. Information on reserve for employment termination benefits:

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

The payment amount which is one month's salary for each working year is restricted to TL 4.732,48 since 1 July 2017 (31 December 2016: TL 4.297,21). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Bank. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	31 December 2017	31 December 2016
Discount rate (%)	3,26	3,15
Salary increase rate (%)	8,50	9,00
Average remaining work period (Year)	11,00	11,43

Movement of reserve for employment termination benefits during the period:

	31 December 2017	31 December 2016
As of January 1	9.456	8.823
Service cost	1.705	1.644
Interest cost	1.056	935
Settlement cost	936	1.034
Actuarial loss/gain	763	(286)
Benefits paid (-)	2.484	2.694
Total	11.432	9.456

In addition, as of 31 December 2017 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 21.652 (31 December 2016: TL 16.667).

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2017	31 December 2016
Provisions for potential risks (*)	40.555	26.784
Total	40.555	26.784

(*)The Bank's provisions for certain loans in its loan portfolio are reserved against risks that may arise in the future.

ii. Information on other provisions:

The Bank set aside reserves under other provisions amounting to TL 6.936 (31 December 2016: TL 6.835) for lawsuits, TL 2.389 (31 December 2016: TL 2.038) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 1.911 (31 December 2016: TL 1.301) for customer cheques commitments, TL 33 (31 December 2016: TL 143) for credit card loyalty points and TL 236 (31 December 2016: TL 220) for other receivables.

4. Information on provisions related with foreign currency difference of foreign indexed loans:

As of 31 December 2017, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 1.407 (31 December 2016: TL 14) and is netted from the loan amount in the financial statements.

i. Information on taxes payable:

1. Information on tax provision:

As of 31 December 2017, corporate tax provision amount to TL 7.696 (31 December 2016: None).

2. Information on taxes payable:

	31 December 2017	31 December 2016
Corporate Tax Payable	7.696	-
Taxation of Marketable Securities	8.567	9.327
Property Tax	104	137
Banking Insurance Transaction Tax	6.485	6.101
Value Added Tax Payable	550	353
Other	2.980	2.731
Total	26.382	18.649

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)

3. Information on premium payables:

	31 December 2017	31 December 2016
Social Security Premiums-Employee	2.125	1.895
Social Security Premiums-Employer	2.940	2.502
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	147	132
Unemployment Insurance-Employer	292	264
Other	44	-
Total	5.548	4.793

4. As of 31 December 2017, the Bank has netted-off the calculated deferred tax asset of TL 19.982 (31 December 2016: TL 16.459) and deferred tax liability of TL 53.463 (31 December 2016: TL 30.255) in accordance with "TAS 12" and has recorded a net deferred tax liability of TL 33.481 (31 December 2016: TL 13.796 net deferred tax expense) in the financial statements.

As of 31 December 2017 and 31 December 2016, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Carried Financial Loss	-	-	-	-
Provision for Legal Cases	6.936	6.835	1.526	1.367
Provisions for Possible Risks	40.555	26.784	8.922	5.357
Reserve for Employee Rights	19.323	14.484	4.250	2.897
Unearned Revenue	24.015	21.231	5.284	4.246
Other	-	12.959	-	2.592
Deferred Tax Assets	90.829	82.293	19.982	16.459
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	27.102	27.492	3.728	5.498
Valuation Differences of Derivative Instruments	216.678	115.360	47.669	23.072
Other	9.388	8.423	2.066	1.685
Deferred Tax Liabilities	253.168	151.275	53.463	30.255
Deferred Tax Assets/(Liabilities) (Net)	(162.339)	(68.982)	(33.481)	(13.796)

Movement of deferred tax asset/ liabilities is presented below:

	31 December 2017	31 December 2016
Balance as of 1 January	(13.796)	655
Current year deferred tax income/(expense) (net)	(15.390)	(13.211)
Deferred tax charged to equity (net)	(4.295)	(1.240)
Balance at the End of the Period	(33.481)	(13.796)

(*) Deferred tax effect recognized in shareholders' equity arising from the impact of TAS 27 is amounting to 685.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)

j. Information on payables for assets held for resale and discontinued operations:

None (31 December 2016: None).

k. Information on subordinated loans:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	06 December 2013	4 December 2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	30 March 2016	30 March 2026	LIBOR+3,75

The subordinated loan does not have the option to be converted into stock certificate.

Information about subordinated loans:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.140.582	-	1.057.478
Other Foreign	-	-	-	-
Total	-	1.140.582	-	1.057.478

l. Information on shareholders' equity:

1. Presentation of paid-in capital:

	31 December 2017	31 December 2016
Common Stock	1.185.000	900.000
Preferred Stock	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital	1.185.000	2.000.000

3. Information on the share capital increases during the period and their sources:

Capital Increase Date	Capital Increase Amount	Cash	Profit Reserves Related to Capital Increase	Capital Reserves Related to Capital Increase
31.12.2017	285.000	285.000	-	-

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)

1. Information on shareholders' equity (Continued):

4. Information on capital increases from capital reserves during the current period.

None.

5. Information on capital commitments, up until the end of the fiscal year and the subsequent period:

None.

6. Information on capital by considering the Bank's profitability, prior period indicators on liquidity and uncertainty on these indicators:

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

Based on the Principal Agreement, the Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

8. Information on marketable securities valuation reserve:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(2.366)	(143)	(872)	(6.999)
Foreign Currency Translation Difference	-	-	-	-
Total	(2.366)	(143)	(872)	(6.999)

9. Information on tangible assets revaluation reserve:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	18.075	-	16.127	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	-	-	-	-
Total	18.075	-	16.127	-

10. Information on distribution of prior year's profit:

According to the General Assembly meeting decision on 31 March 2017, the profit of 2016 which to TL 71.673 (TAS 27) is not distributed and it is classified as legal and extraordinary reserves.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 December 2017	31 December 2016
Commitments for cheques	334.480	302.867
Foreign currency buy/sell commitments	192.283	576.525
Loan limit commitments	149.606	145.005
Commitments for credit card limits	18.777	17.475
Capital commitments for subsidiaries	14.997	14.997
Promotions for the credit cards and their care services	8	14
Commitments for purchase and sale of marketable securities	-	618
Total	710.151	1.057.501

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2017	31 December 2016
Letter of guarantees	1.740.052	1.584.427
Letter of credits	234.673	256.635
Bank acceptance loans	107.766	130.717
Other guarantees	36.130	10.429
Factoring guarantees	28	28
Total	2.118.649	1.982.236

ii. Revocable, irrevocable guarantees, contingencies and other similar guarantees:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Irrevocable letters of guarantee	643.291	396.530	612.453	389.228
Revocable letters of guarantee	56.429	26.916	73.964	33.691
Guarantees given to customs	29.024	70.284	18.689	58.023
Letters of guarantee given in advance	7.571	157.427	9.089	161.826
Other letters of guarantee	19.740	332.840	16.724	210.740
Total	756.055	983.997	730.919	853.508

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS
(Continued):**

3. i. Total amount of non-cash loans:

	31 December 2017	31 December 2016
Non-cash loans given against cash loans	378.095	229.648
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	378.095	229.648
Other non-cash loans	1.740.554	1.752.588
Total	2.118.649	1.982.236

ii. Information on sectoral concentration of non-cash loans:

	31 December 2017				31 December 2016			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	2.135	0,28	11.845	0,87	1.001	0,14	8.235	0,66
Farming and Livestock	1.906	0,25	11.845	0,87	772	0,11	8.235	0,66
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,03	-	-	229	0,03	-	-
Manufacturing	185.436	24,42	730.196	53,73	253.533	34,51	593.507	47,57
Mining	64.056	8,43	126.684	9,32	103.731	14,12	128.295	10,28
Production	114.920	15,13	597.806	43,98	141.345	19,24	461.962	37,03
Electric, Gas, Water	6.460	0,85	5.706	0,42	8.457	1,15	3.250	0,26
Construction	156.492	20,60	362.735	26,69	213.385	29,04	372.048	29,82
Services	336.805	44,34	205.034	15,09	250.629	34,11	273.116	21,89
Wholesale and Retail Trade	65.451	8,62	43.200	3,18	86.510	11,77	76.906	6,16
Hotel and Food Services	7.598	1,00	19.458	1,43	9.255	1,26	21.858	1,75
Transportation and Telecommunication	26.452	3,48	4.980	0,37	22.856	3,11	12.418	1,00
Financial Institutions	219.187	28,86	63.844	4,70	109.858	14,95	135.025	10,82
Real Estate and Leasing Ser.	11.792	1,55	64.822	4,77	11.915	1,62	20.752	1,66
Professional Services	4.896	0,64	-	-	6.187	0,84	-	-
Education Services	106	0,01	1.698	0,12	66	0,01	951	0,08
Health and Social Services	1.323	0,17	7.032	0,52	3.982	0,54	5.206	0,42
Other	78.645	10,35	49.326	3,63	16.149	2,20	633	0,05
Total	759.513	100,00	1.359.136	100,00	734.697	100	1.247.539	100

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS (Continued):

iii. Information on non-cash loans classified in 1st and 2nd group:

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	733.210	960.640	15.387	22.904
Acceptance and Acceptance Loans	3.430	104.336	-	-
Letters of Credit	-	234.030	-	643
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	36.130	-	-
Total	736.668	1.335.136	15.387	23.547

(*)In addition to non-cash loans stated above, the Bank has non-cash loans classified as non-performing loans, amounting to TL 7.911. As of 31 December 2017, the Bank has recorded a TL 2.389 provision regarding these risks.

b. Information on derivative financial instruments:

	31 December 2017	31 December 2016
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	21.022.928	12.003.911
Currency forward transactions	1.903.229	1.016.154
Currency swap transactions	10.644.593	5.211.412
Futures transactions	-	-
Options	8.475.106	5.776.345
Interest related derivative transactions (II)	10.390.390	7.122.724
Forward rate agreements	-	-
Interest rate swaps	10.390.390	7.122.724
Interest rate options	-	-
Interest rate futures	-	-
A. Total trading derivative transactions (I+II)	31.413.318	19.126.635
Types of hedging transactions	3.148.617	2.281.196
Fair value hedges	-	-
Cash flow hedges	3.148.617	2.281.196
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	3.148.617	2.281.196
Total derivative transactions (A+B)	34.561.935	21.407.831

c. Information on contingent assets and contingent liabilities:

As of 31 December 2017, the total amount of legal cases against the Bank is TL 57.174 (31 December 2016: TL 44.938) and the Bank sets aside a provision of TL 6.936 (31 December 2016: TL 6.835) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpinar Tax Administration, negative declaratory action has been claimed at “Denizli Tax Authority” and “Denizli Civil Court of General Jurisdiction” for cancellation of the payment order of TL 25.459, which was notified to the Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Bank. The cases are at the appeal phase. As a result, the Bank did not book any provision.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS (Continued):

d. Brief information on the Bank's rating given by International Rating Institutions:

FITCH (26 January 2018)

Outlook	Stable
Long Term FC	BBB-
Short Term FC	F3
Long Term TL	BBB-
Short Term TL	F3
Viability Note	b+
Support Rating	2
National Rating	AAA(tur)

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT :

a. Information on interest income:

1. Information on interest income on loans:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-term Loans	357.198	16.240	331.521	19.672
Medium/Long-term Loans	381.154	373.805	212.962	262.328
Interest on Loans Under Follow-up	4.056	-	5.176	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	742.408	390.045	549.659	282.000

(*)Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From the CBRT	11.842	-	-	-
From Domestic Banks	12.293	1.053	1.643	309
From Foreign Banks	-	60	-	17
Headquarters and Branches Abroad	-	-	-	-
Total	24.135	1.113	1.643	326

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

3. Information on interest income on marketable securities:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Trading Financial Assets	2.528	181	3.008	239
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	23.089	6.238	22.165	12.613
From Held-to-Maturity Investments	-	7.302	-	1.839
Total	25.617	13.721	25.173	14.691

4. Information on interest income received from investments in associates and subsidiaries:

	31 December 2017	31 December 2016
Interest Received From Investments in Associates and Subsidiaries	2.242	270

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks	1.938	140.521	2.182	83.422
The CBRT	-	-	-	-
Domestic Banks	1.938	1.174	2.177	1.064
Foreign Banks	-	139.347	5	82.358
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	12.449	-	9.863
Total (*)	1.938	152.970	2.182	93.285

(*)Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries:

	31 December 2017	31 December 2016
Interest Paid to Investment in Associates and Subsidiaries	3.670	2.681

3. Interest expense on issued marketable securities:

	31 December 2017	31 December 2016
Interest expense on issued marketable securities	-	4.383

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

4. Information on interest rate and maturity structure of deposits:

Current Period	Demand Deposit	Time Deposit						Total	Prior Period Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accum. Deposit		
Turkish Currency									
Bank Deposits	-	4.312	-	-	-	-	-	4.312	479
Savings Deposits	4	19.849	234.594	10.220	3.928	6.832	-	275.427	207.610
Public Deposits	-	-	13	-	-	-	-	13	84
Commercial Deposits	-	12.110	41.951	3.967	3.864	16.384	-	78.276	63.775
Other Deposits	-	329	15.053	271	883	1.172	-	17.708	15.146
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Total	4	36.600	291.611	14.458	8.675	24.388	-	375.736	287.094
Foreign Currency									
Foreign Currency Account	-	8.621	155.246	20.246	4.933	952	-	189.998	112.307
Bank Deposits	-	2.019	-	-	-	-	-	2.019	204
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	-	10.640	155.246	20.246	4.933	952	-	192.017	112.511
Sum Total	4	47.240	446.857	34.704	13.608	25.340	-	567.753	399.605

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

c. Information on dividend income:

	31 December 2017	31 December 2016
Trading Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	328	328
Other	-	-
Total	328	328

d. Information on trading loss/income (Net):

	31 December 2017	31 December 2016
Income	16.522.264	14.160.577
Capital Market Transactions	8.615	10.472
Derivative Financial Transactions	59.418	37.743
Foreign Exchange Gains	16.454.231	14.112.362
Loss (-)	16.504.816	14.137.905
Capital Market Transactions	4.536	4.447
Derivative Financial Transactions	41.031	27.832
Foreign Exchange Loss	16.459.249	14.105.626
Net Income/Loss	17.448	22.672

e. Information on other operating income:

As of 31 December 2017, the Bank's other operating income is TL 14.607 (31 December 2016: TL 9.254). TL 5.362 (31 December 2016: TL 1.247) amount of the other operating income is composed of the profit from sales of the fixed assets that were classified as Asset Held for Resale.

f. Provision expenses related to loans and other receivables of the Bank:

	31 December 2017	31 December 2016
Specific Provisions for Loans and Other Receivables	60.589	65.689
III. Group Loans and Receivables	5.263	14.365
IV. Group Loans and Receivables	(1.726)	13.614
V. Group Loans and Receivables	57.052	37.710
General Provision Expenses	9.195	7.157
Provision Expense for Possible Risks	12.716	(3.354)
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-maturity Investments	-	-
Other	-	-
Total	82.500	69.492

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

g. Information related to other operating expenses:

	31 December 2017	31 December 2016
Personnel Expenses	146.397	137.790
Reserve For Employee Termination Benefits(*)	4.312	4.013
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	9.118	8.619
Impairment Expenses of Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	9.392	7.807
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	397	49
Depreciation Expenses of Assets Held for Resale	46	417
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	103.846	83.574
Operational Lease Expenses	29.820	26.891
Maintenance Expenses	991	1.247
Advertising Expenses	1.163	999
Other Expense	71.872	54.437
Loss on Sales of Assets	512	298
Other	27.279	24.813
Total	301.299	267.380

(*) As of 31 December 2017, "the employee vacation fee provision expense" is TL 680 (31 December 2016: TL 424).

h. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Bank has no discontinued operations. The Bank's net in profit before taxes from continuing operations is TL 139.669 (31 December 2016: TL 91.362 profit before tax).

i. Information on provision for taxes from discontinued or continuing operations:

The Bank has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

As of 31 December 2017, the Bank has TL 14.431 current tax expense amounting and deferred tax expense amounting to TL 15.390.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

The Bank has TL 13.606 deferred tax income from temporary differences and no tax expense from carried financial loss and TL 28.996 deferred tax expense from closed temporary differences amounting to net TL 15.390 deferred tax expense.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

i. Information on provision for taxes from discontinued or continuing operations(Continued):

3. Information on recognition of temporary difference, financial loss, diminution of tax and exceptions on income statement:

As of 31 December 2017, the Bank has TL 15.390 deferred tax expense arising from temporary differences and there is no deferred tax expense from carried financial loss belongs to the prior period.

j. Information on continuing and discontinued operations' current period net profit/(loss):

The Bank has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

k. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items' composition is necessary to understand the annual performance of Bank, the composition and amount of these items:

None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

None.

l. Information on other income and expenses:

1. Interest income amounts to TL 1.445.845 (31 December 2016: TL 1.143.862) and TL 225.216 (31 December 2016: TL 253.226) of this amount is classified as "Other Interest Income" in the income statement of Bank in the current period.

	31 December 2017	31 December 2016
Other Interest Income		
Interest Income Related to Derivative Transactions	220.962	250.419
Other	4.254	2.807
Total	225.216	253.226

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

2. Interest expense amounts to TL 1.002.944 (31 December 2016: TL 776.088), TL 267.623 (31 December 2016: TL 259.909) of this amount is classified as "Other Interest Expense" in the income statement of Bank in the current period.

	31 December 2017	31 December 2016
Other Interest Expense		
Interest Expense Related to Derivative Transactions	265.911	249.251
Other	1.712	10.658
Total	267.623	259.909

3. As of 31 December 2017, the Bank's fee and commission income amounts to TL 39.499 (31 December 2016: TL 28.702) and TL 21.049 (31 December 2016: TL 14.285) the related amount is classified under "Other" account.

	31 December 2017	31 December 2016
Other Fee and Commissions Received		
Credit Card and POS Transaction Commission	6.572	2.152
Account Operating Fees	1.838	1.439
Insurance Commissions	817	1.040
Transfer Commissions	535	899
Commissions from Correspondent Banks	497	404
OrtakNokta Commissions	204	151
Commissions on Investment Fund Services	106	99
Letter of Credit Commissions	9	12
Other	10.471	8.089
Total	21.049	14.285

4. As of 31 December 2017, Bank's fee and commission expense amounts to TL 8.483 (31 December 2016: TL 5.522) and TL 8.443 (31 December 2016: TL 5.500) of the related amount is classified under "Other" account.

	31 December 2017	31 December 2016
Other Fee and Commissions Given		
Credit Card Transaction Commission	2.384	2.859
Commissions Granted to Correspondent Banks	1.144	865
EFT Commissions	735	648
OrtakNokta Commissions	413	415
Transfer Commissions	96	103
Other	3.671	610
Total	8.443	5.500

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

a. Information on change in the shareholder structure of the Bank:

There is no change in Bank's partnership structure in 2017.

b. Information on distribution of profit:

According to the decision of the Bank held at the Ordinary General Assembly Meeting held on 31 March 2017; While adapting TAS 27 Standard, the profit of 2016, TL 71.673 was not distributed. It is classified as legal and extraordinary reserves.

c. Information on capital increase:

The Bank's registered capital ceiling is 2 billion TL. Following the Board of Directors' decisions dated 15 December 2017, 14 January 2018 and 21 February 2018 the Bank has decided to increase its capital by receiving a partial capital payment amounting to 285 million TL from the Bank's main associate, Burgan Bank K.P.S.C. This increase has been conducted under the registered capital ceiling and the amount has been transferred to the Bank's accounts at 27 December 2017. The BRSA investigations and permissions regarding the payment have been completed, and the related amount has been reflected to the Bank's financial statements as of 31 December 2017. The legal procedures regarding the rights of priority of other shareholders are still continuing. There is no change in the Shareholder structure of the Bank other than the increase in capital.

d. Information on valuation differences of marketable securities:

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed or impaired.

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(2.366)	(143)	(872)	(6.999)
Foreign Currency Difference	-	-	-	-
Total	(2.366)	(143)	(872)	(6.999)

e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.948 net of tax (31 December 2016: TL 1.005) is accounted under "Revaluation differences of tangible assets and intangible assets".

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalent assets:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

i. Cash and cash equivalents at the beginning of period:

	31 December 2017	31 December 2016
Cash	412.911	376.161
Cash, Foreign Currency and Other	26.846	26.411
Demand Deposits in Banks	386.065	349.750
Cash Equivalents	221.505	176.001
Interbank Money Market	-	-
Time Deposits in Bank	221.505	176.001
Total Cash and Cash Equivalents	634.416	552.162

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

ii. Cash and cash equivalents at the end of the period:

	31 December 2017	31 December 2016
Cash	1.167.902	412.911
Cash, Foreign Currency and Other	52.065	26.846
Demand Deposits in Banks	1.115.837	386.065
Cash Equivalents	68.251	221.505
Interbank Money Market	-	-
Time Deposits in Bank	68.251	221.505
Total Cash and Cash Equivalents	1.236.153	634.416

b. Information on other items presented in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

"Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to negative TL 166.129 (31 December 2016: negative TL 247.260) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

"Net increase/decrease in liabilities" items presented in "Changes in operating assets and liabilities" amount to negative TL 120.776 (31 December 2016: positive TL 125.319) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2017, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately negative TL 18.947 (31 December 2016: positive TL 38.302).

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP

a. The volume of transactions relating to the Bank’s risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Prior period financial information is presented as at 31 December 2016 for balance sheet and income statements items.

31 December 2017:

Banks’ Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	21.693	12.963	-	-	27	15.429
Interest and Commission Income Received	2.242	79	-	-	12	-

31 December 2016:

Banks’ Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	23.519	-	219	89	8.753
Balance at the End of the Period	-	27.908	-	-	113	68.425
Interest and Commission Income Received	270	40	-	-	6	-

2. Information on deposits and repurchase transactions of the Bank’s risk group:

Banks’ Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the Period	61.164	84.098	5.656	6.184	26.005	17.841
End of the Period	55.644	61.164	6.357	5.656	24.791	26.005
Interest Expense on Deposits	3.670	2.681	-	-	1.581	1.238

Banks’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Repurchase Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

VII. EXPLANATIONS AND NOTES RELATED TO BANK'S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Bank's risk group:

Banks' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for trading purposes						
Beginning of the Period (*)	307.337	92.529	-	-	-	-
Balance at the end of the period (*)	806.971	307.337	-	-	-	-
Total Profit/Loss	17.950	(12.351)	-	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*)The information in table above shows the total amount of "buy".

b. With respect to the Bank's risk group:

- The relations with entities that are included in the Bank's risk group and controlled by the Bank:
The Bank performs various transactions with related parties during its banking activities. These are commercial transactions realised with market prices.
- The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Share in Financial Statements (%)
Borrowings	2.560.035	47,78
Deposit	132.256	84,07
Non-cash loans	86.792	0,97
Banks and Other Institutions	28.392	1,34
Loans	21.720	0,16

As of 31 December 2017, the Bank has realized interest income from deposits given to banks included in the risk group amounting to TL 17 (31 December 2016: None), the Bank has realized interest expense amounting to TL 99.671 (31 December 2016: TL 61.574) on loans borrowed from the direct shareholders of the Bank.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

VII. EXPLANATIONS AND NOTES RELATED TO BANK'S RISK GROUP (Continued)

3. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

According to the Joint Expense Sharing Agreement with the Bank and its subsidiaries; the Bank has TL 356 (31 December 2016: TL 333) as other operating income and has TL 158 (31 December 2016: 6) as other operating expense from Burgan Finansal Kiralama A.Ş., and TL 680 (31 December 2016: 36) from Burgan Yatırım Menkul Değerler A.Ş. as other operating income.

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Bank's risk group and the amount composes 0,33% (31 December 2016:0,76%) of the Bank's total cash and non-cash loans.

As of 31 December 2017 there are no purchase-sales transactions on any assets including real - estate with the risk group consisting the Bank.

As of 31 December 2017 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Bank is included.

c. Information on benefits provided to top management:

Top management of the Bank is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 17.411 (31 December 2016: TL 17.239) which include total gross salary, travel, meal, health, life insurance and other expenses.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

- a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number			
Domestic Branch	43	978			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	Statutory share capital
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

- b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO BANK’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The unconsolidated financial statements as of 31 December 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor’s independent audit report dated 28 February 2018 has been presented prior to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION
THREE)

BURGAN BANK A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED
DISCLOSURES TOGETHER WITH INDEPENDENT
AUDIT REPORT AT 31 DECEMBER 2017

**Convenience Translation of the Independent Auditors' Report
Originally Issued in Turkish (See Note I in Section Three)**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Burgan Bank A.Ş.:

Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Burgan Bank A.Ş. (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Burgan Bank A.Ş (the Bank) and its subsidiaries as at 31 December 2017 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). 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 Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our *other* responsibilities in accordance with the code of ethics. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<i>Impairment of Loans and Receivables</i>	
<p>Impairment of loans and receivables to customer is a key area of judgement for the management. There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables which are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related Explanations relating to the impairment of loans and receivables have been disclosed in Note e in the Disclosures and Footnotes related to Assets.</p>	<p>Our audit procedures included among others, selecting samples of loans and receivables based on our judgement and considering whether there is objective evidence that impairment exists on these loans and receivables and the assessment of impairment losses of loans and receivables were reasonably determined in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and receivables and the required provisions against them.</p>
<i>Derivative Financial Instruments</i>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Note b in the Disclosures and Footnotes related to off-balance sheet accounts.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Group management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts of our firm and the assessment of used estimations and the judgements and testing of operating effectiveness of the key controls in the process of fair value determination.</p>

Responsibilities of Management and Directors for the Consolidated Financial Statements

Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank's and its subsidiaries 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 Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

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 BRSA Independent Audit Regulation and 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 BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Bank and its subsidiaries' 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 Bank and its subsidiaries' 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 consolidated 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 Bank and its subsidiaries' to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with government 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) no 6102; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities and financial statements for the period 1 January – 31 December 2017 are not in compliance with the TCC and provisions of the Bank’s articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor’s report is Yaşar Bivas.

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



28 February 2018
İstanbul, Türkiye

(CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE)

**THE CONSOLIDATED FINANCIAL AUDIT REPORT OF
BURGAN BANK A.Ş. AS OF 31 DECEMBER 2017**

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The consolidated financial audit report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- **Section One** **GENERAL INFORMATION ABOUT THE GROUP**
- **Section Two** **CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**
- **Section Three** **EXPLANATIONS ON ACCOUNTING POLICIES**
- **Section Four** **INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP**
- **Section Five** **EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**
- **Section Six** **OTHER EXPLANATIONS**
- **Section Seven** **EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this reporting package are as follows:

Subsidiaries	Investment in Associates	Joint Ventures
1. Burgan Finansal Kiralama A.Ş.	-	-
2. Burgan Yatırım Menkul Değerler A.Ş.	-	-
3. Burgan Portföy Yönetimi A.Ş.	-	-
4. Burgan Wealth Limited	-	-

The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira, have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

28 February 2018

Mehmet N. ERTEN
Chairman of the
Board of Directors

Ali Murat DİNÇ
Member of the Board of Directors and
General Manager

Mehmet YALÇIN
Financial Affairs
Vice General Manager

Ahmet CİĞA
Head of Accounting,
Tax, and
Reporting Unit

Halil CANTEKİN
Head of the
Audit Committee

Adrian Alejandro GOSTUSKI
Member of the Audit
Committee

Osama T. AL GHOSSEIN
Member of the Audit
Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname / Title : Ahmet CİĞA / Head of Accounting Tax and Reporting Unit
Telephone Number : 0 212 371 34 84
Fax Number : 0 212 371 42 48

INDEX**SECTION ONE****GENERAL INFORMATION ABOUT THE GROUP**

	PAGE
I. Parent Bank's foundation date, start-up statute, history about the changes in this mentioned statute	1
II. Explanation about the Parent Bank's capital structure, shareholders of the Parent Bank who are in charge of the management and/or auditing of the Parent Bank directly or indirectly, changes in these matters (if any) and the group the Parent Bank belongs to	2
III. Explanation on the Board of directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Parent Bank they possess	3
IV. Explanation on shareholders having control shares in the Parent Bank	4
V. Information on the Parent Bank's service type and field of operations	4
VI. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries	4

SECTION TWO**CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**

I. Consolidated balance sheet (Statement of Financial Position)	6
II. Consolidated off-balance sheet commitments	8
III. Consolidated income statement	9
IV. Statement of income and expense items accounted in equity	10
V. Consolidated statement of changes in shareholders' equity	11
VI. Consolidated statement of cash flows	13
VII. Statement of profit appropriation	14

SECTION THREE**EXPLANATIONS ON ACCOUNTING POLICIES IMPLEMENTED IN THE CURRENT PERIOD**

I. Basis of presentation	15
II. Explanations on strategy of using financial instruments and foreign currency transactions	16
III. Explanations on investments in associates, subsidiaries and joint ventures	17
IV. Explanations on forward transactions, options and derivative instruments	17
V. Explanations on interest income and expense	18
VI. Explanations on fee and commission income and expense	18
VII. Explanations on financial assets	19
VIII. Explanations on impairment of financial assets	20
IX. Explanations on offsetting financial assets	21
X. Explanations on sales and repurchase agreements and securities lending transactions	21
XI. Explanations on tangible assets held for resale and discontinued operations	21
XII. Explanations on goodwill and other intangible assets	22
XIII. Explanations on property and equipment	22
XIV. Explanations on leasing transactions	23
XV. Explanations on provisions and contingent commitments	24
XVI. Explanations on contingent assets	24
XVII. Explanations on obligations related to employee rights	24
XVIII. Explanations on taxation	25
XIX. Explanations on borrowings	26
XX. Explanations on issuance of share certificates	26
XXI. Explanations on avalized drafts and acceptances	26
XXII. Explanations on government grants	26
XXIII. Explanations on profit reserves and profit distribution	26
XXIV. Explanations on earnings per share	27
XXV. Explanations on related parties	27
XXVI. Explanations on cash and cash equivalents	27
XXVII. Explanations on segment reporting	27
XXVIII. Reclassifications	27

SECTION FOUR**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP**

I. Explanations on consolidated equity	28
II. Explanations on consolidated credit risk	32
III. Explanations on consolidated risk management	43
IV. Explanations on consolidated operational risk	64
V. Explanations on consolidated currency risk	65
VI. Explanations on consolidated interest rate risk	67
VII. Explanations on consolidated share certificate position risk	71
VIII. Explanations on consolidated liquidity risk and consolidated liquidity coverage ratio	72
IX. Explanations on leverage ratio	80
X. Explanations on hedge transactions	81
XI. Explanations regarding the presentation of financial assets and liabilities at their fair values	82
XII. Explanations on the activities carried out on behalf and account of other parties	83
XIII. Explanations on operating segments	84

SECTION FIVE**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS**

I. Explanations and notes related to consolidated assets	86
II. Explanations and notes related to consolidated liabilities	101
III. Explanations and notes related to consolidated off-balance sheet accounts	111
IV. Explanations and notes related to consolidated income statement	115
V. Explanations and notes related to changes in shareholder's equity	121
VI. Explanations and notes related to statement of cash flows	122
VII. Explanations and notes related to Group's risk group	123
VIII. Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the parent bank	125
IX. Explanations and notes related to subsequent events	125

SECTION SIX**OTHER EXPLANATIONS**

I. Other Explanations related to Bank's operations	126
--	-----

SECTION SEVEN**EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

I. Explanations on independent audit report	126
II. Explanations and notes prepared by independent auditor	126

**CONVENIENCE TRANSLATION OF PUBLICLY
ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

SECTION ONE

GENERAL INFORMATION

**I. PARENT BANK'S FOUNDATION DATE, START-UP STATUTE, HISTORY ABOUT THE
CHANGES IN THIS MENTIONED STATUTE:**

Tekfen Yatırım ve Finansman Bankası A.Ş. was established as an "investment bank" with the permission of the Council of Ministers No. 88/13253 on 26 August 1988 and authorised to conduct finance investment and foreign trade activities. Banking operations commenced on 7 August 1989.

Bank Ekspres A.Ş. ("Bank Ekspres") was established with the permission of the Council of Ministers in decision No. 91/2316 on 22 September 1991; "The Decree of Establishment Permission" was published in the Official Gazette numbered 21017 and dated 10 October 1991. The Articles of Association was published in the Trade Registry Gazette numbered 2969 and dated 18 February 1992. The Turkish Savings Deposit and Insurance Fund ("SDIF") took over the management of Bank Ekspres A.Ş. due to the poor fiscal structure of the bank on 23 October 1998.

According to the Share Transfer Agreement signed between the SDIF and Tekfen Holding A.Ş. on 30 June 2001, 2,983.800.000 shares with a nominal value of Kr1 each and which amount to 99,46% of the capital of Bank Ekspres A.Ş. under the control of the SDIF in accordance with Banking Law were transferred to Tekfen Holding A.Ş.. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., where Tekfen Holding A.Ş. owns 57,69% of the Bank, by Bank Ekspres A.Ş. was permitted by the Banking Regulation and Supervision Agency's ("BRSA") decision numbered 489 dated 18 October 2001. The share transfers were realised on 26 October 2001 and the bank's name was changed to Tekfenbank Anonim Şirketi (the "Bank"), which had two main shareholders: Tekfen Holding A.Ş. with 57,30% and TST International S.A. with 40,62%.

EFG Eurobank Ergasias S.A. ("Eurobank EFG") and Tekfen Holding A.Ş. ("Tekfen Group") signed an agreement as of 8 May 2006, that anticipated Eurobank EFG to purchase Tekfen Group's 70% share in Tekfenbank and Tekfen Leasing which is fully owned by Tekfenbank; where Tekfen Group retained its strategic partnership by keeping all remaining shares. On 23 February 2007, the sale of Tekfenbank A.Ş. to Eurobank EFG Holding (Luxembourg) S.A. ("Eurobank EFG Holding") was approved by the BRSA and the sale was completed after the share transfer on 16 March 2007.

Under the agreement regarding the sale of Eurobank Ergasias S.A.'s Turkey operations to Burgan Bank K.P.S.C., 70% of the bank shares belonging to Eurobank EFH Holding (Luxemburg) S.A. and 29,26% of the shares belonging to Tekfen Holding A.Ş. are bought by Burgan Bank K.P.S.C. in 7 December 2012 in accordance with the Banking Regulation and Supervision Agency's authorization, and then 99,26% of the bank shares are turned over to Burgan Bank K.P.S.C. in 21 December 2012.

At the Extraordinary Board of Directors meeting on 23 January 2013, the title of the bank has been decided to change from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş. ("the Bank"), and has been registered to the Turkish Trade Registry as of 25 January 2013.

**CONVENIENCE TRANSLATION OF PUBLICLY
ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

GENERAL INFORMATION (Continued)

II. EXPLANATIONS ABOUT THE PARENT BANK'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE PARENT BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE PARENT BANK BELONGS TO:

The Parent Bank's registered capital ceiling is 2 billion TL. Following the Board of Directors' decisions dated 15 December 2017, 14 January 2018 and 21 February 2018 the Parent Bank has decided to increase its capital by receiving a partial capital payment amounting to 285 million TL from the Parent Bank's main associate, Burgan Bank K.P.S.C at 27 December 2017. This increase has been conducted under the registered capital ceiling and the amount has been transferred to the Parent Bank's accounts. The BRSA investigations and permissions regarding the payment have been completed, and the related amount has been reflected to the Parent Bank's financial statements as of 31 December 2017. The legal procedures regarding the rights of priority of other shareholders are still continuing. There is no change in the Shareholder structure of the Parent Bank other than the increase in capital.

Founded in 1977, Burgan Bank K.P.S.C. (formerly Burgan Bank S.A.K), as an affiliate of KIPCO Group (Kuwait Projects Company), one of the largest holding groups of the Middle East and North Africa (MENA) region, is among the significant banking groups in the region. Besides Kuwait, Burgan Bank Group also operates as a main shareholder with its affiliate banks in Algeria (Gulf Bank Algeria), Iraq (Bank of Baghdad) and Tunisia (Tunis International Bank).

**CONVENIENCE TRANSLATION OF PUBLICLY
ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

GENERAL INFORMATION (Continued)

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, CHANGES IN THESE MATTERS (IF ANY) AND SHARES OF THE PARENT BANK THEY POSSESS:

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors:	Mehmet Nazmi Erten	Chairman of Board of Directors	Undergraduate
Board of Directors Members:	Faisal M.A. Al Radwan	Vice President	Undergraduate
	Eduardo Eguren Linsen	Member	Undergraduate
	Majed E.A.A. Al Ajeel	Member	Graduate
	Adrian Alejandro Gostuski	Member	Graduate
	Mehmet Alev Göçmez	Member	Graduate
	Halil Cantekin	Member	Undergraduate
	Osama T. Al Ghousein	Member	Undergraduate
	Ali Murat Dinç	Member and General Manager	Graduate
General Manager:	Ali Murat Dinç	Member and General Manager	Graduate
Vice General Managers:	Esra Aydın	Operations & Management Services	Undergraduate
	Mutlu Akpara	Treasury, Capital Market and Financial Institutions	Graduate
	Hüseyin Cem Öge	Corporate Banking	Graduate
	Cihan Vural	Internal Systems	Undergraduate
	Rasim Levent Ergin	Human Resources	Graduate
	Emine Pınar Kuriş	Retail Banking	PHD
	Suat Kerem Sözügüzel	Commercial Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Mehmet Yalçın	Financial Affairs	Undergraduate
Audit Committee:	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Osama T. Al Ghousein	Member	Undergraduate

There is no share of the above individuals in the Parent Bank.

**CONVENIENCE TRANSLATION OF PUBLICLY
ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

GENERAL INFORMATION (Continued)

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES IN THE PARENT BANK:

Name/Commercial title	Share Amounts	Share percentage	Paid-in Capital	Unpaid portion
Burgan Bank K.P.S.C.	1.178.324	99,44%	99,44%	-

Based on the Principal Agreement, the Bank has 1 million founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

V. INFORMATION ON THE PARENT BANK'S SERVICE TYPE AND FIELD OF OPERATIONS:

As of 31 December 2017, the Parent Bank has 43 branches operating in Turkey (31 December 2016: 49). The Parent Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2017, the Group has 1.062 (31 December 2016: 1.089) employees.

VI. CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES:

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

- I. Consolidated balance sheet (Statement of financial position)
- II. Consolidated off-balance sheet commitments
- III. Consolidated income statement
- IV. Statement of income and expense items accounted in equity
- V. Consolidated statement of changes in shareholders' equity
- VI. Consolidated statement of cash flows
- VII. Statement of profit appropriation

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017 AND 31 DECEMBER 2016**

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

I.	BALANCE SHEET	Note (Section Five)	(31/12/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
	ASSETS							
I.	CASH AND BALANCES WITH CENTRAL BANK	I-a	1.034.438	992.902	2.027.340	161.255	1.157.611	1.318.866
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	71.256	72.683	143.939	84.444	51.759	136.203
2.1	Trading Financial Assets		71.256	72.683	143.939	84.444	51.759	136.203
2.1.1	Government Debt Securities		2.342	2.968	5.310	27.120	840	27.960
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		68.812	69.584	138.396	54.221	50.084	104.305
2.1.4	Other Marketable Securities		102	131	233	3.103	835	3.938
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	I-c	176	168.553	168.729	95.216	242.892	338.108
IV.	MONEY MARKETS		11.000	-	11.000	17.110	-	17.110
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		11.000	-	11.000	16.690	-	16.690
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	420	-	420
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-d	180.900	95.695	276.595	370.543	168.612	539.155
5.1	Share Certificates		8.929	-	8.929	11.568	-	11.568
5.2	Government Debt Securities		171.251	95.695	266.946	358.462	92.465	450.927
5.3	Other Marketable Securities		720	-	720	513	76.147	76.660
VI.	LOANS	I-e	5.852.278	7.434.460	13.286.738	4.666.340	6.064.455	10.730.795
6.1	Loans		5.676.699	7.434.460	13.111.159	4.533.679	6.064.455	10.598.134
6.1.1	Loans to Bank's Risk Group		21	6	27	106	7	113
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		5.676.678	7.434.454	13.111.132	4.533.573	6.064.448	10.598.021
6.2	Loans under Follow-up		394.852	-	394.852	278.035	-	278.035
6.3	Specific Provisions (-)		219.273	-	219.273	145.374	-	145.374
VII.	FACTORING RECEIVABLES	I-e	6	-	6	123	704	827
VIII.	HELD-TO-MATURITY SECURITIES (Net)	I-f	-	171.218	171.218	-	161.607	161.607
8.1	Government Debt Securities		-	171.218	171.218	-	161.607	161.607
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-g	-	-	-	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
X.	SUBSIDIARIES (Net)	I-h	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI.	JOINT VENTURES (Net)	I-i	-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	I-j	443.385	1.528.493	1.971.878	303.741	1.005.983	1.309.724
12.1	Financial Lease Receivables		610.820	1.798.268	2.409.088	398.103	1.147.332	1.545.435
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		167.435	269.775	437.210	94.362	141.349	235.711
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	I-k	257.159	12.141	269.300	176.246	7.940	184.186
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		257.159	12.141	269.300	176.246	7.940	184.186
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)	I-l	70.754	1.346	72.100	72.566	1.590	74.156
XV.	INTANGIBLE ASSETS (Net)	I-m	46.437	871	47.308	48.465	1.059	49.524
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		46.437	871	47.308	48.465	1.059	49.524
XVI.	INVESTMENT PROPERTY (Net)	I-n	-	-	-	-	-	-
XVII.	TAX ASSET	I-o	21.029	-	21.029	10.510	-	10.510
17.1	Current Tax Asset		6.930	-	6.930	2.220	-	2.220
17.2	Deferred Tax Asset		14.099	-	14.099	8.290	-	8.290
XVIII.	ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	I-p	45.095	-	45.095	45.511	-	45.511
18.1	Held for Resale		45.095	-	45.095	45.511	-	45.511
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	I-r	85.433	156.990	242.423	80.957	96.906	177.863
	TOTAL ASSETS		8.119.346	10.635.352	18.754.698	6.133.027	8.961.118	15.094.145

The accompanying explanations and notes form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017 AND 31 DECEMBER 2016**

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

I.	BALANCE SHEET	Note (Section Five)	(31/12/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
I.	LIABILITIES							
I.	DEPOSITS	II-a	3.488.744	5.383.727	8.872.471	2.847.484	5.401.185	8.248.669
1.1	Deposits of Bank's Risk Group		3.773	27.375	31.148	7.882	23.779	31.661
1.2	Other		3.484.971	5.356.352	8.841.323	2.839.602	5.377.406	8.217.008
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	II-b	70.586	90.192	160.778	114.784	36.055	150.839
III.	BORROWINGS	II-c	205.805	5.876.957	6.082.762	98.573	3.347.535	3.446.108
IV.	MONEY MARKETS		57.263	198.953	256.216	310.620	185.428	496.048
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		36.971	-	36.971	70.592	-	70.592
4.3	Funds Provided Under Repurchase Agreements		20.292	198.953	219.245	240.028	185.428	425.456
V.	MARKETABLE SECURITIES ISSUED (Net)	II-d	-	-	-	49.288	-	49.288
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	49.288	-	49.288
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		54.526	299.381	353.907	53.151	206.292	259.443
VIII.	OTHER LIABILITIES	II-e	49.359	4.508	53.867	61.373	5.905	67.278
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	II-f	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	II-g	40.807	13.168	53.975	27.528	1.958	29.486
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		40.807	13.168	53.975	27.528	1.958	29.486
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	II-h	108.984	89.083	198.067	85.008	73.726	158.734
12.1	General Loan Loss Provision		42.716	64.850	107.566	36.460	53.785	90.245
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		36.513	-	36.513	29.558	-	29.558
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		29.755	24.233	53.988	18.990	19.941	38.931
XIII.	TAX LIABILITY	II-i	69.598	-	69.598	38.216	-	38.216
13.1	Current Tax Liability		36.117	-	36.117	24.420	-	24.420
13.2	Deferred Tax Liability		33.481	-	33.481	13.796	-	13.796
XIV.	PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	II-j	-	-	-	-	-	-
14.1	Held for Resale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	II-k	-	1.140.582	1.140.582	-	1.057.478	1.057.478
XVI.	SHAREHOLDERS' EQUITY	II-l	1.506.245	6.230	1.512.475	1.097.572	(5.014)	1.092.558
16.1	Paid-in Capital		1.185.000	-	1.185.000	900.000	-	900.000
16.2	Capital Reserves		46.635	6.230	52.865	32.810	(5.014)	27.796
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(2.366)	(143)	(2.509)	(872)	(6.999)	(7.871)
16.2.4	Tangible Assets Revaluation Reserve		18.075	-	18.075	16.127	-	16.127
16.2.5	Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging Reserves (Effective portion)		33.883	6.373	40.256	19.930	1.985	21.915
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(2.957)	-	(2.957)	(2.375)	-	(2.375)
16.3	Profit Reserves		164.762	-	164.762	93.089	-	93.089
16.3.1	Legal Reserves		21.342	-	21.342	20.178	-	20.178
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		143.420	-	143.420	72.911	-	72.911
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		109.848	-	109.848	71.673	-	71.673
16.4.1	Prior Years' Income or (Loss)		-	-	-	-	-	-
16.4.2	Current Year Income or (Loss)		109.848	-	109.848	71.673	-	71.673
16.5	Minority Shares		-	-	-	-	-	-
	TOTAL LIABILITIES							
			5.651.917	13.102.781	18.754.698	4.783.597	10.310.548	15.094.145

The accompanying explanations and notes form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

**CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT
31 DECEMBER 2017 AND 31 DECEMBER 2016**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

II.	OFF-BALANCE SHEET	Note (Section Five/Five)	(31/12/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I-II+III)		6.458.999	29.277.926	35.736.925	6.317.735	17.474.566	23.792.301
I.	GUARANTEES AND WARRANTIES	III-a-2-3	759.513	1.359.136	2.118.649	734.697	1.247.539	1.982.236
1.1	Letters of Guarantee		756.055	983.997	1.740.052	730.919	853.508	1.584.427
1.1.1	Guarantees Subject to State Tender Law		7.251	4.124	11.375	7.398	4.575	11.973
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		748.804	979.873	1.728.677	723.521	848.933	1.572.454
1.2	Bank Acceptances		3.430	104.336	107.766	3.750	126.967	130.717
1.2.1	Import Letter of Acceptance		3.430	104.336	107.766	3.750	126.967	130.717
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	234.673	234.673	-	256.635	256.635
1.3.1	Documentary Letters of Credit		-	234.673	234.673	-	256.635	256.635
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		28	-	28	28	-	28
1.8	Other Guarantees		-	36.130	36.130	-	10.429	10.429
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	III-a-1	526.202	143.301	669.503	625.226	392.275	1.017.501
2.1	Irrevocable Commitments		526.202	143.301	669.503	625.226	392.275	1.017.501
2.1.1	Asset Purchase and Sales Commitments		48.666	143.301	191.967	184.868	392.275	577.143
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		14.997	-	14.997	14.997	-	14.997
2.1.4	Commitments for Loan Limits		109.606	-	109.606	105.005	-	105.005
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		334.480	-	334.480	302.867	-	302.867
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		18.445	-	18.445	17.475	-	17.475
2.1.10	Promotion Commitments for Credit Cards and Banking Services		8	-	8	14	-	14
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	III-b	5.173.284	27.775.489	32.948.773	4.957.812	15.834.752	20.792.564
3.1	Hedging Derivative Financial Instruments		885.008	3.717.356	4.602.364	587.700	2.115.800	2.703.500
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		885.008	3.717.356	4.602.364	587.700	2.115.800	2.703.500
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.288.276	24.058.133	28.346.409	4.370.112	13.718.952	18.089.064
3.2.1	Forward Foreign Currency Buy/Sell Transactions		775.618	1.126.557	1.902.175	329.245	686.909	1.016.154
3.2.1.1	Forward Foreign Currency Transactions-Buy		467.722	488.540	956.262	205.259	297.660	502.919
3.2.1.2	Forward Foreign Currency Transactions-Sell		307.896	638.017	945.913	123.986	389.249	513.235
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.084.832	16.884.296	17.969.128	2.691.398	8.602.947	11.294.345
3.2.2.1	Foreign Currency Swap-Buy		80.961	4.948.530	5.029.491	1.283.949	1.201.567	2.485.516
3.2.2.2	Foreign Currency Swap-Sell		1.003.871	4.076.216	5.080.087	967.449	1.563.264	2.530.713
3.2.2.3	Interest Rate Swap-Buy		-	3.929.775	3.929.775	220.000	2.919.058	3.139.058
3.2.2.4	Interest Rate Swap-Sell		-	3.929.775	3.929.775	220.000	2.919.058	3.139.058
3.2.3	Foreign Currency, Interest rate and Securities Options		2.427.826	6.047.280	8.475.106	1.347.249	4.429.096	5.776.345
3.2.3.1	Foreign Currency Options-Buy		1.259.407	2.980.038	4.239.445	734.860	2.151.650	2.886.510
3.2.3.2	Foreign Currency Options-Sell		1.168.419	3.067.242	4.235.661	612.389	2.277.446	2.889.835
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	2.220	-	2.220
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		35.877.172	27.091.207	62.968.379	30.083.751	20.258.797	50.342.548
IV.	ITEMS HELD IN CUSTODY		1.740.277	156.878	1.897.155	1.541.650	136.089	1.677.739
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		589.876	61.908	651.784	488.524	31.344	519.868
4.3	Cheques Received for Collection		1.126.344	63.782	1.190.126	985.735	85.790	1.071.525
4.4	Commercial Notes Received for Collection		24.057	23.000	47.057	67.391	18.955	86.346
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	8.188	8.188	-	-	-
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		34.136.895	26.933.082	61.069.977	28.542.101	20.119.716	48.661.817
5.1	Marketable Securities		1.031	-	1.031	2.650	-	2.650
5.2	Guarantee Notes		21.097.082	12.190.553	33.287.635	18.791.720	9.532.145	28.323.865
5.3	Commodity		1.022.137	7.706	1.029.843	963.418	9.139	972.557
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		11.316.848	11.273.823	22.590.671	8.264.710	7.295.770	15.560.480
5.6	Other Pledged Items		699.797	3.461.000	4.160.797	519.603	3.282.662	3.802.265
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	1.247	1.247	-	2.992	2.992
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			42.336.171	56.369.133	98.705.304	36.401.486	37.733.363	74.134.849

The accompanying explanations and notes form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

III. INCOME STATEMENT	Note (Section Five)	01/01/2017-31/12/2017	01/01/2016-31/12/2016
INCOME AND EXPENSE ITEMS			
I. INTEREST INCOME	IV-a	1.573.350	1.246.480
1.1 Interest on Loans		1.130.211	831.389
1.2 Interest Received from Reserve Requirements		20.438	9.570
1.3 Interest Received from Banks		26.889	3.321
1.4 Interest Received from Money Market Transactions		3.156	7.612
1.5 Interest Received from Marketable Securities Portfolio		42.385	42.378
1.5.1 Trading Financial Assets		4.783	5.554
1.5.2 Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3 Available-for-sale Financial Assets		30.300	34.985
1.5.4 Held-to-maturity Investments		7.302	1.839
1.6 Financial Lease Income		133.870	90.474
1.7 Other Interest Income	IV-1	216.401	261.736
II. INTEREST EXPENSE (-)	IV-b	1.061.478	826.287
2.1 Interest on Deposits		564.083	396.924
2.2 Interest on Funds Borrowed		215.754	134.004
2.3 Interest Expense on Money Market Transactions		18.760	24.718
2.4 Interest on Securities Issued		1.436	10.383
2.5 Other Interest Expenses	IV-1	261.445	260.258
III. NET INTEREST INCOME (I + II)		511.872	420.193
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		40.723	40.113
4.1 Fees and Commissions Received		50.831	48.671
4.1.1 Non-cash Loans		18.371	14.377
4.1.2 Other	IV-1	32.460	34.294
4.2 Fees and Commissions Paid (-)		10.108	8.558
4.2.1 Non-cash Loans (-)		496	605
4.2.2 Other (-)	IV-1	9.612	7.953
V. DIVIDEND INCOME	IV-c	330	627
VI. TRADING INCOME / (LOSS) (Net)	IV-d	17.615	24.548
6.1 Trading Gains/(Losses) on Securities		3.313	7.979
6.2 Trading Gains/(Losses) on Derivative Financial Instruments		19.123	12.605
6.3 Foreign Exchange Gains/(Losses)		(4.821)	3.964
VII. OTHER OPERATING INCOME	IV-e	28.633	19.476
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		599.173	504.957
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-f	93.512	76.730
X. OTHER OPERATING EXPENSES (-)	IV-g	357.445	330.488
XI. NET OPERATING INCOME/(LOSS) (VIII+IX+X)		148.216	97.739
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIII. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-h	148.216	97.739
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-i	38.368	26.066
16.1 Current Tax Provision		29.472	13.108
16.2 Deferred Tax Provision		8.896	12.958
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+ XVI)	IV-j	109.848	71.673
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from Non-Current Assets Held for Resale		-	-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3 Other Income from Discontinued Operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expense from Non-Current Assets Held for Resale		-	-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3 Other Expenses from Discontinued Operations		-	-
XX. INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII. NET INCOME/(LOSS) (XVII+XXII)	IV-k	109.848	71.673
Earnings / (Loss) per share (1.000 nominal in TL full)		1,221	0,796

The accompanying explanations and notes form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN
EQUITY FOR THE 31 DECEMBER 2017 AND 2016**

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

IV.	STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	31/12/2017	31/12/2016
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	5.816	(8.130)
II.	REVALUATION DIFFERENCES OF TANGIBLE ASSETS	150	1.256
III.	REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV.	FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	24.217	15.874
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS(*)	(828)	215
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	694	1.011
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(4.980)	(1.844)
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	25.069	8.382
XI.	CURRENT PERIOD INCOME/LOSS	109.848	71.673
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	1.946	3.634
11.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4	Other	107.902	68.039
XII.	TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	134.917	80.055

The accompanying explanations and notes form an integral part of these financial statements.

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BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2016

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
PRIOR PERIOD 31/12/2016		Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Interest	Minority Interest	Total Shareholders' Equity
I.	Prior Period End Balance (31/12/2015)	II-I	900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502	-	1.012.502
II.	Correction Made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at beginning of period		900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502	-	1.012.502
	Changes during the period																			
VI.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(6.427)	-	-	-	-	(6.427)	-	(6.427)
VI.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	12.699	-	12.699	-	12.699
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	12.699	-	12.699	-	12.699
6.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	1.005	-	-	-	1.005	-	1.005
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	934	-	-	-	-	934	-	934
XIII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	172	-	-	-	-	-	-	-	172	-	172
XIX.	Current Year Income or Loss		-	-	-	-	-	-	-	-	71.673	-	-	-	-	-	-	71.673	-	71.673
XX.	Profit Distribution		-	-	-	-	1.071	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-	-	-
20.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves		-	-	-	-	1.071	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+...+XX)			900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	-	1.092.558

The accompanying explanations and notes form an integral part of these financial statements.

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BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CURRENT PERIOD 31/12/2017	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Interest	Minority Interest	Total Shareholders' Equity
I. Prior Period End Balance (31/12/2016)	II-I	900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	-	1.092.558
II. Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	-	3.795	-	-	-	-	3.795	-	3.795
IV. Hedging Reserves (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.341	-	18.341	-	18.341
4.1 Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.341	-	18.341	-	18.341
4.2 Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation Differences of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	(1.076)	-	-	-	(1.076)	-	(1.076)
VI. Revaluation Differences of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of the Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equity of Investments in Associates	-	-	-	-	-	-	-	-	-	-	-	1.567	-	-	-	-	1.567	-	1.567
XII. Capital Increase	-	285.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285.000	-	285.000
12.1 Cash	-	285.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285.000	-	285.000
12.2 Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other	-	-	-	-	-	-	-	-	(582)	-	-	-	3.024	-	-	-	2.442	-	2.442
XVII. Current Year Income or Loss	-	-	-	-	-	-	-	-	-	109.848	-	-	-	-	-	-	109.848	-	109.848
XVIII. Profit Distribution	-	-	-	-	-	1.164	-	70.509	-	(71.673)	-	-	-	-	-	-	-	-	-
18.1 Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves	-	-	-	-	-	1.164	-	70.509	-	(71.673)	-	-	-	-	-	-	-	-	-
18.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+...+XVIII)	-	1.185.000	-	-	-	21.342	-	143.420	(2.957)	109.848	-	(2.509)	18.075	-	40.256	-	1.512.475	-	1.512.475

The accompanying explanations and notes form an integral part of these financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31
DECEMBER 2017 AND 31 DECEMBER 2016**

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

VI. STATEMENT OF CASH FLOWS	Note	Current Period 31/12/2017	Prior Period 31/12/2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		160.612	(33.328)
1.1.1 Interest received		1.469.531	1.125.527
1.1.2 Interest paid		(1.008.375)	(816.656)
1.1.3 Dividend received		330	627
1.1.4 Fees and commissions received		40.876	44.703
1.1.5 Other income		-	-
1.1.6 Collections from previously written-off loans and other receivables		66.139	86.450
1.1.7 Payments to personnel and service suppliers		(174.877)	(172.980)
1.1.8 Taxes paid		(29.472)	(15.507)
1.1.9 Other	VI-b	(203.540)	(285.492)
1.2 Changes in operating assets and liabilities		(123.758)	(270.738)
1.2.1 Net (increase)/decrease in trading securities		26.173	6.032
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in due from banks		(16.741)	(186.635)
1.2.4 Net (increase)/decrease in loans		(2.603.192)	(2.431.890)
1.2.5 Net (increase)/decrease in other assets		(690.533)	(433.122)
1.2.6 Net (increase)/decrease in bank deposits		36.829	6.755
1.2.7 Net increase/(decrease) in other deposits		561.454	1.623.648
1.2.8 Net increase/(decrease) in funds borrowed		2.692.174	1.011.652
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net increase/(decrease) in other liabilities	VI-b	(129.922)	132.822
I. Net cash provided from banking operations		36.854	(304.066)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		253.219	(94.015)
2.1 Cash paid for acquisition of investments, associates and subsidiaries		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries		-	-
2.3 Purchases of property and equipment		(7.511)	(32.727)
2.4 Disposals of property and equipment		16.630	144
2.5 Cash paid for purchase of investments available-for-sale		(105.204)	(351.662)
2.6 Cash obtained from sale of investments available-for-sale		349.304	451.837
2.7 Cash paid for purchase of investment securities		-	(161.607)
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		235.712	527.753
3.1 Cash obtained from funds borrowed and securities issued		-	677.950
3.2 Cash used for repayment of funds borrowed and securities issued		(49.288)	(150.000)
3.3 Issued capital instruments		285.000	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	(197)
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(13.202)	45.407
V. Net (increase)/decrease in cash and cash equivalents (I+II+III+IV)		512.583	175.079
VI. Cash and cash equivalents at beginning of the period	VI-a	749.561	574.482
VII. Cash and cash equivalents at end of the period	VI-a	1.262.144	749.561

The accompanying explanations and notes form an integral part of these financial statements

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

**CONSOLIDATED PROFIT APPROPRIATION STATEMENT FOR THE PERIOD ENDED
31 DECEMBER 2017 AND 31 DECEMBER 2016**

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

VII. PROFIT APPROPRIATION STATEMENT	(31/12/2017)(*)	(31/12/2016)(**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	139.669	91.362
1.2 TAXES AND DUTIES PAYABLE (-)	29.821	19.689
1.2.1 Corporate Tax (Income tax)	14.431	6.478
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	15.390	13.211
A. NET INCOME FOR THE YEAR (1.1-1.2)	109.848	71.673
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	1.164
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	-	70.509
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	70.509
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*)TL 17.168 that is observed in net profit, reflects the amount within the framework of the Bank's equity method applied to the subsidiaries that are not subject to the distribution of net profit / loss under the scope of TAS 27. As of the preparation date of these financial statements, the yearly ordinary meeting of the General Assembly has not been held. Therefore, the distribution of net profit has not been discussed and decided.

(**) Includes the "Profit Appropriation Statement" approved by the Bank's General Assembly held on 31 March 2017, TL 5.026 is due to corrections under TAS 27.

The accompanying explanations and notes form an integral part of these financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION:

- a. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures numbered 5411 Regarding Banks' Accounting Application and Keeping Documents:**

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by BRSA, Turkish Commercial Code and Tax Legislation. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012 and changes in the related communiqué.

The Parent Bank is expressing its accounting entries in Turkish Lira, in accordance with the Banking Law, Turkish Trade Law and the Turkish Tax Legislation.

The consolidated financial statements expressed in TL were prepared with the cost-based method and were subject to inflation correction until 31 December 2004, except for the financial assets, liabilities and buildings, which were carried at fair value.

Amounts in the consolidated financial statements and related notes and explanations are expressed in thousand of Turkish Lira unless otherwise stated.

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

The aforementioned accounting policies and valuation principles are explained between notes II and XXVIII of the consolidated financial statements. The amendments of TAS and TFRS, enacted as of 1 January 2017, have no material impact on the Bank's accounting policies, financial position and performance. The amendments of TAS and TFRS, except for the TFRS 9 Financial Instruments Standard which will be effective as of 1 January 2018, have no impact on the accounting policies, financial condition and performance of the Bank. The impacts of the TFRS 9 Financial Instruments Standard will increase the amount of loan provisions.

- b. Explanations on changes in accounting policies and financial statement presentation:**

None.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION(Continued)

c. Explanation for convenience translation into English:

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

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS:

The Group's core business activities include retail banking, commercial banking, SME banking, corporate banking, private banking, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services. The general strategy of the Group is using financial instruments to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. Additionally, the Group can also sustain a lengthened liability structure by using long-term borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities are being held at minimum levels and the exposed currency risk is followed within the levels determined by the Board of Directors, considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank's foreign currency bid rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses".

As of 31 December 2017, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,7719 and TL 4,5155 for USD and EURO respectively.

If the functional currency of the Group is different from its reporting currency, all assets and liabilities in the reporting currency are translated using the foreign exchange rate at the balance sheet date, and the income and expenses in the income statement are translated using the average foreign exchange rate (this average foreign exchange rate is used when the rate is not far from the cumulative effect of the exchange rate of the transaction, in such a case the income and expenses are translated at the exchange rate of the transaction date) and the resulting foreign currency conversion differences are presented as a separate item under equity. The currency of the Group is not the currency of a high inflationary economy.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES:

Consolidated financial statements are prepared in accordance with the "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10"). Consolidation principles for subsidiaries:

Subsidiaries are entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method on the grounds of materiality principle considering their operations, asset and equity sizes. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control depicts the significant influence the Parent Bank has over an investment to a legal entity, the varying yield the Parent Bank receives due to its relationship with this entity or the rights of the Parent Bank entitled over this yield and the power to impact the yield that the invested legal entity will generate.

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, income, expense and off-balance sheet items.

The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intergroup balances and intergroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group. Minority interests are presented in the consolidated balance sheet, in the shareholder's equity. Minority interests are presented separately in the Group's income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent Bank.

The Group has no joint ventures as of 31 December 2017 and 31 December 2016.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS:

The major derivative instruments utilized by the Group are currency and interest rate swaps, cross currency swaps, currency options and currency forwards.

The Group classifies its derivative instruments as "Held-for-hedging" or "Held-for-trading" in accordance with "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement" ("TAS 39"). Although certain derivative transactions provide effective economic hedges under the Group's risk management position, in accordance with TAS 39 they are treated as derivatives "Held-for-trading".

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. The accounting method of the income or loss arising from derivative instruments depends on the derivative being used for hedging purposes or not and depends on the type of the item being hedged.

"Financial assets at fair value through profit or loss" are measured at fair value and are accounted related to the income statement. If the fair value of derivative financial instruments are positive, they are disclosed under the main account "Financial assets at fair value through profit or loss" in "Trading derivative financial instruments" and if the fair value difference is negative, it is disclosed under "Trading derivative financial liabilities". Differences in the fair value of trading derivative instruments are accounted under "Trading income/loss" in the income statement.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS (Continued):

The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models. Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TAS 39 if and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the host contract and the embedded derivative are closely related, the embedded derivative is not separated from the host contract and is accounted according to the standard applied to the host contract.

As of 31 December 2017, The Parent Bank applies cash flow hedge accounting through cross and interest currency swaps to protect its FC deposits that have average maturity up to 3 months and its other debt from the fluctuation in interest rates.

The Group implements effectiveness tests on the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, on the financial statements under equity in "Hedging Funds", whereas the amount related to the ineffective part is associated with the income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized. The renewal of a financial hedging instrument or the transfer of a financial hedging instrument to another instrument does not eliminate the financial hedging relationship, if the financial hedging instrument is part of the risk protection strategy in accordance with TAS 39.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized on an accrual basis by using the effective interest method.

The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

Fees and commission income/expenses are primarily recognized on an accrual basis or "Effective interest method" according to the nature of the fee and commission, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized as income at the time of collection.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS:

The Group classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognized and removed according to the "settlement dates". The appropriate classification of financial assets of the Group are determined at the time of purchase by the Group management, taking into consideration the purpose of holding the investment.

a. Financial assets at fair value through profit or loss:

This category has two subcategories: "Trading financial assets" and "Financial assets designated at fairvalue through profit/loss at initial recognition".

Trading financial assets are financial assets which are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aimed at short-term profit making.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are not designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of Section Three.

b. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognised at cost which is considered as their fair value. The fair values of held-to-maturity financial assets on initial recognition are determined according to either the transaction prices at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at "amortised cost" using the effective interest method after their recognition.

Interest income earned from held-to-maturity financial assets is reflected to the income statement.

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

c. Loans and receivables:

Loans and receivables are financial assets that are not derivative financial instruments, that are not defined as trading financial assets or financial assets at fair value through profit or loss, that have identifiable payments and that are not quoted on the market. Loans and receivables originated are carried initially at cost and subsequently recognized at the amortized cost value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

c. Loans and receivables (Continued):

The Group provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 26333 dated 1 November 2006. In this context, the revised credit risk, general structure of the current loan portfolio, financial conditions of the customers, non-financial information and economic conjuncture on the basis of the prudence principle are taken into consideration by the Group in determining the estimates.

Provision expenses are deducted from the net income of the year. If there is a collection from a receivable that is provisioned previously, the amount is deducted from the "Specific Provisions" account and recorded as an income to "Provision for Loan Losses and Other Receivables" shown as net with the provisions recorded in the year. Uncollectible receivables are written-off after all the legal procedures have been finalized.

d. Available-for-sale financial assets:

Financial assets available-for-sale consist of financial assets other than "Loans and receivables", "Held-to-maturity", "Financial assets at fair value through profit or loss" and non-derivative financial assets. Financial assets available-for-sale are recorded by adding transaction cost to acquisition cost reflecting the fair values of the financial assets.

After the recognition, financial assets available-for-sale are remeasured at fair value. Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable Securities Valuation Reserve", until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. When calculating CPI Indexed government bonds' discounted values, cash flows calculated through CBRT's monthly expected CPI bulletin indices are used.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the effective interest method, or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is created for the diminution value of the impaired financial asset and it is related to the income for the year.

The principles for the accounting of provisions for loans and receivables are explained in detail in Note VII of this Section.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS:

Securities subject to repurchase agreements ("Repo") are classified as "Financial assets at fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Group and are measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds Provided under Repurchase Agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the effective interest method.

Funds given against securities purchased under agreements ("Reverse repo") to resell are accounted under "Receivables from Reverse Repurchase Agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the "effective interest method". The Group has no securities lending transactions.

XI. EXPLANATIONS ON TANGIBLE ASSETS THAT ARE HELD FOR RESALE, DISCONTINUED OPERATIONS AND LIABILITIES REGARDING THOSE ASSETS:

The assets that are classified as tangible assets held for sale, are measured at the lower of their book value and their fair value calculated by deducting the expenses incurred for sale, these assets are presented separately on the balance sheet. In order to classify assets (or an asset group held for resale) as held for sale, the assets must be readily available for sale under the frequent circumstances and usual conditions of the sale, and the probability of sale should be high. In order for the probability of sale to be high, a plan should be prepared regarding the sale of an asset held for sale (or a group of assets held for resale), and an active program to determine the buyers must be initiated by the proper governing bodies, in order to complete the plan for the sale of assets. Furthermore, the asset held for sale (or a group of assets held for resale) must be actively marketed with a price in accordance with the fair value of the asset held for sale. Various incidents and circumstances can extend the completion period of the sale by more than one year. If the related delay has occurred due to incidents and circumstances that are outside the control of the management, in the event that there is sufficient evidence that the entity's sales plan for the sale of the related asset held for sale (or a group of assets held for resale) is continuing, these assets are again classified as tangible assets held for sale.

The Group has no discontinued operations.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS (Continued):

a. Goodwill

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (i.e. trademarks) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquiree before the business combination; if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

The goodwill calculated in accordance with the "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), is not subject to depreciation, but is tested annually for impairment and carried at cost less accumulated impairment losses, if any, in accordance with the "Turkish Accounting Standard for Impairment on Assets" ("TAS 36"). For the purpose of impairment testing, goodwill acquired in a business combination must be allocated to each of the acquirer's cash generating units. Since the Group has recognised a goodwill impairment provision of TL 63.973 regarding the goodwill from acquisition of Burgan Yatırım Menkul Değerler A.Ş. based on the assessment done as of 31 December 2012, the net carrying value of goodwill in the consolidated financial statements is none as of 31 December 2017 (31 December 2016: None).

b. Other intangible assets

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for value decreases, if any.

Intangibles are amortized over their estimated useful lives using the straight-line method amortization method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilize the economic benefit of the asset and differs from 3 years to 15 years.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

Property and equipment are measured at their initial cost when recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

The Group has adopted the "revaluation method" in accordance with the "Communiqué Regarding the Principles and Procedures for the Tangible Assets ("TAS 16")" for its buildings. Independent expert appraisal values determined by independent experts are presented in the financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued):

Depreciation is calculated over the cost of property and equipment using the straight-line method. The depreciation rates are stated below:

Buildings	2%
Movables, Movables Acquired by Financial Leasing	2-50%

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

When the carrying amount of an asset is greater than its estimated "Recoverable amount", it is written down to its "Recoverable amount" and the provision for the diminution value is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "lower of the fair value of the leased asset and the present value of the amount of cash consideration given for the leased asset.

Leased assets are included in the property and equipment and these assets are depreciated their useful lives into consideration. If impairment is detected in the value of the leased asset, a "Provision for value decrease" is recognized. Liabilities arising from the leasing transactions are included in "Financial Lease Payables" on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Group realizes financial leasing transactions in the capacity of "lessor" by means of Burgan Finansal Kiralama A.Ş. which is the consolidated subsidiary of the Group. The asset subject to financial leasing is disclosed as a net financial leasing receivable in the balance sheet. The interest income is determined in a way to form a fixed revenue return ratio using net investment method related to leased asset of the lessor, and the portion of interest income which does not take part in the related term is followed under unearned interest income account.

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

The Group allocates specific provisions for lease receivables based on the assessments and estimates of the management, by considering the current applicable communiqué.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities except for the specific and general provisions recognized for loans and other receivables are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a "Contingent" liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in the Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Group, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement have been eliminated, which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Group has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Income and Expense Items Accounted in Equity" and presented in "Other Reserves" item in the Shareholders Equity section.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON TAXATION :

a. Current tax:

Many clauses of Corporate Tax Law No. 5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% for 2017 (2016: 20%). The corporate tax rate is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

In accordance with the Temporary Article 10 and Article 32 paragraph 1 added to the Corporate Tax Law at 05 December 2017, the Corporate Tax rate which was 20% will be applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

75% portion of the capital gains derived from the sale of equity investments and immovable properties before 05.12.2017, the 50% portion of the capital gains derived from the sale of equity investments and immovable properties after 05.12.2017 are tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for 5 years. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to 5 years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax:

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements for the Parent Bank and for each consolidated subsidiary separately.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

XIX. EXPLANATIONS ON BORROWINGS:

The Group's fund resources in essence consist of borrowing from foreign financial institutions, issued securities and money market debt.

Trading and derivative financial liabilities are valued with their fair values and other financial liabilities are carried at "amortized cost" using the effective interest method.

The Group utilizes various hedging techniques to minimize the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Group.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Transaction costs regarding the issuance of share certificates are accounted under shareholders' equity after eliminating the tax effects.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the "Off-balance sheet commitments".

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2017 and 31 December 2016, the Group has no government grants.

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code ("TCC") the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

ACCOUNTING POLICIES (Continued)

XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	31 December 2017	31 December 2016
Net Income / (Loss) to be Appropriated to Ordinary Shareholders	109.848	71.673
Weighted Average Number of Issued Ordinary Shares (Thousand)	90.000.000	90.000.000
Earnings Per Ordinary Shares (Disclosed in full TL)	1,221	0,796

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect to bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

XXV. EXPLANATIONS ON RELATED PARTIES:

Parties defined in article 49 of the Banking Law No.5411, Group's senior management, and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note V of Section Five.

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

Operational field is distinguishable section of the Group that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note X in Section Four.

XXVIII. RECLASSIFICATIONS:

None.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON CONSOLIDATED EQUITY:

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

As of 31 December 2017 Bank's total capital has been calculated as TL 2.645.483 (31 December 2016: 2.147.530), Capital adequacy ratio is 17,32% (31 December 2016: 15,84%).

a. Information about total capital:

	Current Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.185.000		900.000	
Share issue premiums	-		-	
Reserves	164.946		93.273	
Gains recognized in equity as per TAS	60.036		39.053	
Profit	109.848		71.673	
Current Period Profit	109.848		71.673	
Prior Period Profit	-		-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-		-	
Common Equity Tier 1 Capital Before Deductions	1.519.830		1.103.999	
Deductions from Common Equity Tier 1 Capital	-		-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	7.355		11.441	
Improvement costs for operating leasing	18.592		18.835	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	37.719	47.149	29.338	48.896
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	40.256		21.915	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-		-	
Gains arising from securitization transactions	-		-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-		-	
Defined-benefit pension fund net assets	-		-	
Direct and indirect investments of the Bank in its own Common Equity	-		-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-		-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-		-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-		-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-		-	
Excess amount arising from mortgage servicing rights	-		-	
Excess amount arising from deferred tax assets based on temporary differences	-		-	
Other items to be defined by the BRSA	-		-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-		-	
Total Deductions From Common Equity Tier 1 Capital	103.922		81.529	
Total Common Equity Tier 1 Capital	1.415.908		1.022.470	

(*)In this section, the account that are liable to the temporary articles of "Regulation on Equities of Banks" which will be considered at the end of the transition period, is shown.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

	Current Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL				
Preferred Stock not Included in Common Equity and the Related Share Premiums	-		-	
Debt instruments and premiums approved by BRSA	-		-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-		-	
Additional Tier I Capital before Deductions	-		-	
Deductions from Additional Tier I Capital	-		-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-		-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-		-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-		-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-		-	
Other items to be defined by the BRSA	-		-	
Transition from the Core Capital to Continue to deduce Components	-		-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	9.430		19.558	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-		-	
Total Deductions From Additional Tier I Capital	-		-	
Total Additional Tier I Capital	-		-	
Total Tier I Capital (Tier I Capital+Common Equity+Additional Tier I Capital)	1.406.478		1.002.912	
TIER II CAPITAL	-		-	
Debt instruments and share issue premiums deemed suitable by the BRSA	-		-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	1.131.570		1.055.760	
Provisions (Article 8 of the Regulation on the Equity of Banks)	107.566		90.245	
Tier II Capital Before Deductions	1.239.136		1.146.005	
Deductions From Tier II Capital	-		-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-		-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	131		835	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-		-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Other items to be defined by the BRSA (-)	-		-	
Total Deductions from Tier II Capital	131		835	
Total Tier II Capital	1.239.005		1.145.170	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.645.483		2.148.082	
Deductions from Total Capital	-		-	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-		-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-		552	
Other items to be defined by the BRSA (-)	-		-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-		-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

	Current Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL				
Total Capital (Tier I and Tier II Capital)	2.645.483		2.147.530	
Total risk weighted amounts	15.271.897		13.553.573	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	9,27		7,54	
Tier I Capital Adequacy Ratio (%)	9,21		7,40	
Capital Adequacy Ratio (%)	17,32		15,84	
BUFFERS				
Total additional Tier I Capital requirement (a+b+c)	1.250		0,625	
a. Capital conservation buffer requirement (%)	1,250		0,625	
b. Bank specific counter-cyclical buffer requirement (%)	-		-	
c. Systematically important bank buffer ratio (%)	-		-	
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4,77		3,04	
Amounts below the Excess Limits as per the Deduction Principles				
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Amount arising from deferred tax assets based on temporary differences	-		-	
Limits related to provisions considered in Tier II calculation	31.303		26.176	
Limits related to provisions considered in Tier II calculation				
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	107.566		90.245	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	107.566		90.245	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-		-	

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

I. EXPLANATIONS ON CONSOLIDATED EQUITY (Continued):

b. Information on instruments related to equity estimation

Details on Subordinated Liabilities		
Issuer	Burgan Bank K.P.S.C.	Burgan Bank K.P.S.C.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No
Eligible at stand-alone / consolidated	Stand Alone- Consolidated	Stand Alone- Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Loan	Subordinated Loan
Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date)	565.785	565.785
Par value of instrument (USD)	150.000	150.000
Accounting classification	Liability-Subordinated Loans-amortised cost	Liability-Subordinated Loans-amortised cost
Original date of issuance	06.12.2013	30.03.2016
Perpetual or dated	Dated	Dated
Original maturity date	10 Years	10 Years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends	3 Months	3 Months
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	LIBOR+3,75	LIBOR+3,75
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature	None	None
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
In compliance with article number 7 and 8 of "Own fund regulation"	None	None
Details of incompliance with article number 7 and 8 of "Own fund regulation"	None	None

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK:

Credit risk represents the potential financial loss that the Parent Bank may incur as a result of defaults or non-fulfillment of the loan agreements obligations of counterparties.

In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the rating procedures. Main criteria are geographical and sectoral concentrations. The sectoral concentrations for loans are monitored closely in accordance with the Parent Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored on a regular basis.

Credit rankings of borrowers that are present at loans and other accounts receivable accounts are monitored in accordance with the relevant legislation on a regular basis. Account status documents obtained for the issued credits are audited to make sure that the documents are meeting the requirements of the relevant legislation given that the cash transactions are exempted from this rule. As a result of regular monitoring of credit worthiness, credit limits have been changed when necessary. Loans and other receivables are collateralized considering the credit worthiness.

With respect to credit risk, debtor and debtor groups are subject to risk limitations envisaged in the Banking Law. There is no risk limitation in terms of geographical region while the sectoral concentration has been limited. Credit limits allocated are subject to revision at least once a year. The credit worthiness of the borrowers classified as "loans and other receivables under close monitoring" are revised at least twice a year due to Procedures and Principles regarding the regulation on determination of loans and other receivables. The credit limit is controlled by the main banking system and exceeding the specified limits is prohibited. When a revision becomes due, limits for which the credit worthiness has not been reviewed are suspended (except for cash provisions).

The Parent Bank's credit policy approved by the Board of Directors is reviewed at regular intervals. In order to maintain the credit risk under control, there are additional limitations in the scope of Parent Bank credit policies apart from the Banking Law limitations. As defined in the document of credit policy, authorization of credit extension has been delegated to branches, the headquarters and the credit committee. Constraints on the use of these delegations;

- Collaterals, accepted as guarantees of loans issued, are clearly stated at credit policy.
- The Bank does not provide loans for arms manufacturers and traders, religious organizations, gambling companies, media companies, political organizations, sport clubs and companies operating in nuclear industry. Exceptions could be evaluated by the head office.
- Credits issued to the companies founded within last two years, real estate development companies and financial institutions as well as the investment projects, cash credit guarantees and credits for covering bank's risks and refinancing loans are evaluated by headquarters and authorized upper management.
- Derivative products' limits cannot be allocated in Branch authorization. Foreign currency loans and counter party / external guarantees cannot be issued by branches.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

The loans are considered as impaired receivables after 90 days delay from the reporting period or the decision of the bank that the debtor loses its credibility. According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves," group II loans and 90 day-delayed loans are considered as non-performing loan and general provision is allocated.

Total amount of exposures after offsetting transactions before applying credit risk mitigations and the average exposure amounts that are classified under different risk groups and types for the relevant period:

Risk Group	Amount	Average
Claims on sovereigns and Central Banks	2.422.430	2.196.564
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	335	348
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	901.004	1.192.925
Claims on corporates	11.537.131	11.341.978
Claims included in the regulatory retail portfolios	716.673	388.184
Claims secured by residential property	5.190.208	4.233.138
Past due loans	175.580	139.844
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	17
Other Receivables	642.810	627.583
Total	21.586.171	20.120.581

The Parent Bank's derivative transactions are mainly composed of foreign exchange and interest rate swaps money and interest options and forward transactions. The credit risks of these products are managed by deducting them from the company's credit limit, which is specified only for these types of transactions, in proportion to the term of the transaction. Market risk is managed by the Treasury, Capital market and Financial Institutions Group.

In forward transactions no type of coercive action outside of the other party's consent is taken.

Indemnified non-cash credits are subjected to the same risk weight as the credits which are past due date.

With regard to the credits renewed and re-structured with a new payment plan by the Parent Bank, the method adopted is the one specified by the relevant legislation. Within the framework of risk management systems a risk separation is not practiced as to the maturity of the liabilities.

The Group does not perform any kind of banking activity abroad.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

When evaluated within the context of the financial operations of other financial institutions acting as active participants in the international banking market, the Group credit risk concentration at an acceptable level.

In the current period, the share of the Group receivables due to cash loans extended to its top 100 and top 200 customers are 66%, 76% (31 December 2016: 66% and 77%) within the total cash loan portfolio.

In the current period, the share of the Group receivables due to non-cash loans extended to its top 100 and top 200 customers are 47%, 64% (31 December 2016: 49% and 63%) within the total non-cash loans portfolio.

In the current period, the share of the Group receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 64%, 74% (31 December 2016: 64% and 75%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2017, the Group's general provision for loans amounting to TL 107.566 (31 December 2016: TL 90.245).

a. Information on types of loans and specific provisions:

31 December 2017	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Standard Loans	11.487.368	538.446	6.407	1.714.285	6	13.746.512
Loans under close monitoring	1.043.318	35.100	520	257.593	-	1.336.531
Non-performing loans	334.295	8.323	1.271	49.191	1.772	394.852
Specific provision (-)	175.691	4.655	1.130	36.968	829	219.273
Total	12.689.290	577.214	7.068	1.984.101	949	15.258.622

31 December 2016	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Standard Loans	9.679.878	237.324	4.824	1.093.054	8	11.015.088
Loans under close monitoring	657.589	17.740	779	216.670	819	893.597
Non-performing loans	225.038	3.138	1.234	46.818	1.807	278.035
Specific provision (-)	116.147	1.370	1.045	25.956	856	145.374
Total	10.446.358	256.832	5.792	1.330.586	1.778	12.041.346

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

b. Information on loans and receivables past due but not impaired:

31 December 2017	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Past due 0-30 days	1.025.557	43.440	712	349.820	-	1.419.529
Past due 30-60 days	14.176	11.292	152	62.916	-	88.536
Past due 60-90 days	41.379	5.092	42	190.311	-	236.824
Total	1.081.112	59.824	906	603.047	-	1.744.889

31 December 2016	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Past due 0-30 days	645.201	19.105	779	228.871	819	894.775
Past due 30-60 days	20.270	6.236	-	55.165	-	81.671
Past due 60-90 days	28.079	2.369	-	87.407	-	117.855
Total	693.550	27.710	779	371.443	819	1.094.301

c. Information on debt securities, treasury bills and other bills:

31 December 2017	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
Baa1(*)	5.310	266.946	171.218	443.474
Total	5.310	266.946	171.218	443.474

(*) This table contains only Turkish Republic government bank bonds, bank bonds and treasury bills which is rated by Moody's.

31 December 2016	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
Baa3(*)	27.960	527.074	161.607	716.641
Total	27.960	527.074	161.607	716.641

(*) Consists of Turkish Republic government bonds and treasury bills.

d. Information on rating concentration:

The Group evaluates its credit risk based on an internal rating system and the portfolio is classified from least probability of default to highest. The information about the concentration of cash and non cash loans which are classified with the rating system is presented below.

	31 December 2017	31 December 2016
Above average (%)	7,27	8,12
Average (%)	69,28	67,53
Below average (%)	20,08	22,48
Not rated (%)	3,37	1,87

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

e. Fair value of collaterals (loans and advances to customers):

31 December 2017	Corporate Loans	Consumer Loans	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Loans under close monitoring	410.396	10.638	12	-	-	421.046
Non-performing loans	179.484	837	119	8.799	1.258	190.497
Total	589.880	11.475	131	8.799	1.258	611.543

31 December 2016	Corporate Loans	Consumer Loans	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Loans under close monitoring	271.606	9.398	88	12.790	-	281.092
Non-performing loans	97.476	1.097	213	10.436	1.268	110.490
Total	369.082	10.495	301	23.226	1.268	391.582

Type of Collaterals	31 December 2017	31 December 2016
Real-estate mortgage	458.772	364.353
Pledge	21.364	23.353
Cash and cash equivalents	131.407	3.876
Total	611.543	391.582

CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

BURGAN BANK A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017
 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																	Total
Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
31 December 2017																		
Domestic	3.539.205	-	285	-	-	70.027	9.763.100	587.767	4.897.427	173.757	-	-	-	-	-	-	471.650	19.503.218
EU Countries	-	-	-	-	-	661.407	14	39	-	-	-	-	-	-	-	-	-	661.460
OECD Countries (**)	-	-	-	-	-	3.608	-	-	-	-	-	-	-	-	-	-	-	3.608
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	7.932	40.287	833	1.848	1.823	-	-	-	-	-	-	-	52.723
Other Countries	-	-	-	-	-	132.256	171	18	-	-	-	-	-	-	-	-	-	132.445
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3.539.205	-	285	-	-	875.230	9.803.572	588.657	4.899.275	175.580	-	-	-	-	-	-	471.650	20.353.454

- Conditional and unconditional exposures to central governments or central banks
- Conditional and unconditional exposures to regional governments or local authorities
- Conditional and unconditional receivables from administrative units and non-commercial enterprises
- Conditional and unconditional exposures to multilateral development banks
- Conditional and unconditional exposures to international organisations
- Conditional and unconditional exposures to banks and brokerage houses
- Conditional and unconditional exposures to corporates
- Conditional and unconditional retail exposures
- Conditional and unconditional exposures secured by real estate property
- Past due receivables
- Receivables defined in high risk category by BRSA
- Exposures in the form of bonds secured by mortgages
- Securitization Positions
- Short term exposures to banks, brokerage houses and corporates
- Exposures in the form of collective investment undertakings
- Stock Exchange
- Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
 (**) Includes OECD countries other than EU countries, USA and Canada.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017
 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

f. Profile of significant exposures in major regions (Continued):

	Exposure Categories (*)																Total
Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
31 December 2016																	
Domestic	2.044.031	-	952	-	-	591.440	8.978.541	208.234	3.759.130	132.661	-	-	-	-	-	336.063	16.051.052
EU Countries	-	-	-	-	-	597.940	260	37	1	-	-	-	-	-	-	-	598.238
OECD Countries (**)	-	-	-	-	-	673	-	-	-	-	-	-	-	-	-	-	673
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	4.829	101.886	497	-	-	-	-	-	-	-	-	107.212
Other Countries	-	-	-	-	-	1.245	3.701	15	-	-	-	-	-	-	-	-	4.961
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2.044.031	-	952	-	-	1.196.127	9.084.388	208.783	3.759.131	132.661	-	-	-	-	-	336.063	16.762.136

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Other receivables
- (*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.

CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

BURGAN BANK A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017
 (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

	Exposure Categories (*)																TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				17
Agriculture	-	-	-	-	-	-	32.300	3.049	7.326	1.155	-	-	-	-	-	-	-	22.881	20.949	43.830
Farming and Stockbreeding	-	-	-	-	-	-	29.040	2.176	6.226	1.131	-	-	-	-	-	-	-	20.805	17.768	38.573
Forestry	-	-	-	-	-	-	11	241	21	24	-	-	-	-	-	-	-	56	241	297
Fishery	-	-	-	-	-	-	3.249	632	1.079	-	-	-	-	-	-	-	-	2.020	2.940	4.960
Manufacturing	-	-	6	-	-	-	3.265.222	58.458	958.589	48.842	-	-	-	-	-	-	-	983.881	3.347.236	4.331.117
Mining and Quarrying	-	-	6	-	-	-	387.213	2.734	205.473	2.258	-	-	-	-	-	-	-	106.609	491.075	597.684
Production	-	-	-	-	-	-	2.240.776	54.449	668.628	46.584	-	-	-	-	-	-	-	871.519	2.138.918	3.010.437
Electricity, Gas and Water	-	-	-	-	-	-	637.233	1.275	84.488	-	-	-	-	-	-	-	-	5.753	717.243	722.996
Construction	-	-	-	-	-	-	2.332.227	10.624	1.697.762	59.133	-	-	-	-	-	-	-	1.296.887	2.802.859	4.099.746
Services	-	-	-	-	-	875.230	3.979.544	79.655	2.052.378	62.254	-	-	-	-	-	-	-	2.011.536	5.037.525	7.049.061
Wholesale and Retail Trade	-	-	-	-	-	-	1.939.112	68.253	837.681	44.115	-	-	-	-	-	-	-	896.477	1.992.684	2.889.161
Hotel, Food and Beverage services	-	-	-	-	-	-	350.616	2.360	816.160	3.500	-	-	-	-	-	-	-	47.232	1.125.404	1.172.636
Transportation and Telecom	-	-	-	-	-	-	395.240	4.561	183.724	6.835	-	-	-	-	-	-	-	171.423	418.937	590.360
Financial Institutions	-	-	-	-	-	875.230	876.439	807	44.977	1.095	-	-	-	-	-	-	-	807.207	991.341	1.798.548
Real Estate and Rental Services	-	-	-	-	-	-	363.724	2.352	146.513	681	-	-	-	-	-	-	-	33.362	479.908	513.270
Self-employment Services	-	-	-	-	-	-	7.621	190	3.467	-	-	-	-	-	-	-	-	10.956	322	11.278
Educational Services	-	-	-	-	-	-	16.730	119	3.221	3.695	-	-	-	-	-	-	-	13.370	10.395	23.765
Health and Social Services	-	-	-	-	-	-	30.062	1.013	16.635	2.333	-	-	-	-	-	-	-	31.509	18.534	50.043
Other	3.539.205	-	279	-	-	-	194.279	436.871	183.220	4.196	-	-	-	-	-	-	-	3.097.236	1.732.464	4.829.700
Total	3.539.205	-	285	-	-	875.230	9.803.572	588.657	4.899.275	175.580	-	-	-	-	-	-	-	7.412.421	12.941.033	20.353.454

1. Conditional and unconditional exposures to central governments or central banks
 2. Conditional and unconditional exposures to regional governments or local authorities
 3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
 4. Conditional and unconditional exposures to multilateral development banks
 5. Conditional and unconditional exposures to international organisations
 6. Conditional and unconditional exposures to banks and brokerage houses
 7. Conditional and unconditional exposures to corporates
 8. Conditional and unconditional retail exposures
 9. Conditional and unconditional exposures secured by real estate property
 10. Past due receivables
 11. Receivables defined in high risk category by BRSA
 12. Exposures in the form of bonds secured by mortgages
 13. Securitization Positions
 14. Short term exposures to banks, brokerage houses and corporates
 15. Exposures in the form of collective investment undertakings
 16. Stock Exchange
 17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Bank.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

h. Analysis of maturity-bearing exposures according to remaining maturities:

Risk classifications	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Claims on sovereigns and Central Banks	1.285	38.764	186.842	36.818	2.248.602
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	272	-	-	-	13
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	193.079	177.651	134.569	12.883	338.362
Claims on corporates	1.036.400	558.202	712.775	1.408.374	6.087.821
Claims included in the regulatory retail portfolios	21.812	17.508	23.246	63.159	462.930
Claims secured by residential property	110.566	124.952	123.227	210.600	4.329.931
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	1.363.414	917.077	1.180.659	1.731.834	13.467.659

i. Information about the risk exposure categories:

As explained in the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks," abovementioned receivables are calculated via third party ratings. Receivables from central governments or central banks are calculated according to the OECD's published country risks. OECD classification is used to determine the risk weights set by the regulations. When a receivable is not provided a grading, the Bank complies with the rules under the regulations.

j. Exposures by risk weights:

Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.198.742	460.925	704.483	3.707.774	629.544	12.603.193	48.794	131
2. Exposures after Credit Risks Mitigation(*)	3.502.336	478.435	658.399	3.366.131	569.993	11.737.511	40.648	131

(*) The bank mitigates the credit risk using the simple financial collateral methods.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued):

k. Informations in terms of major sectors and type of counterparties:

Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	6.885	3.717	37	5.730
Farming and Stockbreeding	6.263	2.960	30	5.132
Forestry	566	21	-	542
Fishery	56	736	7	56
Manufacturing	132.744	373.988	3.267	83.902
Mining and Quarrying	14.869	18.008	25	12.611
Production	117.678	355.980	3.242	71.094
Electricity, Gas and Water	197	-	-	197
Construction	91.765	137.771	1.151	32.632
Services	151.020	912.455	3.782	88.766
Wholesale and Retail Trade	124.300	500.537	340	80.185
Accommodation and Dining	6.279	369.248	3.353	2.779
Transportation and Telecom	9.008	23.257	32	2.173
Financial Institutions	1.267	225	2	172
Real Estate and Rental Services	1.177	9.099	3	496
Professional Services	827	312	3	827
Educational Services	4.932	350	3	1.237
Health and Social Services	3.230	9.427	46	897
Other	12.438	316.958	1.819	8.243
Total	394.852	1.744.889	10.056	219.273

l. Information about Value Adjustment and Change in Provisions:

	Opening Balance	Provision for Period	Write off from Asset	Other Adjustments(*)	Closing Balance
1. Specific Provisions (**)	175.497	130.229	(45.912)	4.314	264.128
2. General Provisions	90.245	9.195	-	8.126	107.566

(*)The Other Adjustments column consists of exchange rate differences of provisions in foreign currencies.

(**)Uncompensated non-performing loans provisions includes specific allowance amounts, free allowance amounts and cheque-book allowance that the Bank classifies as non-performing loans.

m. Risks Included in Cyclical Capital Buffer Calculation :

None.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued):**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT:

Risk Management Approach and Risk Weighted Amounts

a. Risk Management Approach of the Group:

1. The way risk profile of the Group is determined by business model and its interaction and risk appetite:

The Group prepares its business strategy including medium and long term growth objectives and makes an annual revision through reviewing. The Group reviews its business strategy annually in a periodic manner and aforementioned business strategies are reviewed ad hoc and more frequently and can be revised if it is required by economic developments and market conditions. Risk appetite of the Group is designated in full compliance with its business strategy and main risks, which shall be taken due to main components of main activity area and business strategy of the Group, comprise main inputs of risk appetite determined by Board of Directors.

2. Risk management structure: Responsibilities assigned within the body of the Group:

Board of Directors is responsible for developing a risk appetite in compliance with business strategy of the Bank and establishing a risk management system in line with risk appetite. Board of Directors carries out activities such as definition, monitoring, reporting of the risk and developing risk mitigating measures through Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, Assets and Liabilities Committee (ALCO) and Risk Management Group, Internal Control Centre, Directorate of Supervisory Board and Compliance Departments.

Audit Committee controls whether provisions included in legislation related risk management and intra-group and implementation procedures approved by the board of directors are applied or not and makes recommendations to board of directors regarding measures which should be taken. It also evaluates whether there are method, instrument and implementations procedures required for identification, measurement, monitoring and controlling of Group's risks or not.

Board of Directors Risk Committee is responsible for the development of risk management systems in line with business strategy and risk appetite of the Bank, presentation of amendment recommendations related to risk management policies to Board of Directors and establishment of required method, instrument and implementation procedures in order to ensure identification, measurement, monitoring and reporting of risks by non-executive independent departments.

ALCO is responsible to monitor and manage structural asset-liability non-compliance of the Parent Bank together with the monitoring and controlling of liquidity and exchange risks through holding meetings on a weekly basis.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

**2. Risk management structure: Responsibilities assigned within the body of the Group
(Continued):**

Risk Management Department, which carries out its activities independent from executive functions, consist of Credit Risk and Modelling Department, Market Risk Department and Operation Risk Department. Credit Risk and Modelling Department is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Parent Bank and its partners which are subject to consolidation and sharing of solution recommendations for risk mitigation with related departments. Credit risk appetite limits, which are approved by Board of Directors, are monitored in specific periods and results are reported to Board of Directors and Senior Management. The department gives support to credit risk analysis through stress tests, reverse stress tests and scenario analysis. Market Risk Department is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Parent Bank and its partners which are subject to consolidation. The department is also responsible to monitor and report limits specified related to treasury risk parameters and liquidity risk. Limit-risk follow-up regarding counterparty credit risk, stress tests and scenario analysis are also under the responsibility of the department in question.

Operation Risk Department carries out definition, measurement, evaluation, controlling, mitigation, monitoring and reporting activities of operational risks. Internal Audit is responsible for the evaluation of operational risk management framework with its all aspects in an independent manner. The aforementioned evaluation includes both activities of business units and also activities of Operation Risk Management.

Internal Control Centre carries out activities at secondary control level in order to monitor and report risks and develop measures reducing risks with executive departments. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Parent Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Parent Bank are shared with both executive and non-executive departments such as Risk Management Group.

3. Channels which are used to extend and apply risk culture in the Group:

Risk Management application is developed on Intranet platform for the purpose of increasing awareness of employees in order to extend risk culture within the body of the Group. Through this application, trainings and documents increasing awareness are shared with employees. Online trainings, related to risk management developed in order to raise awareness of employees, are shared with employees via remote training platform. Risk point of views of employees are supported through in-class trainings, if required.

Information on risk position of the Group, expected and unexpected loss estimations, impacts of negative conditions on balance sheet of the Group and realization levels of risk appetite limits determined by Board of Directors is share with Board of Directors, related committees and senior management by Risk Management Group through reports issued. If there exists an overflow on the risk appetite limits, related departments are informed in order to ensure taking of pre-determined measures and results are monitored by Risk Management Group.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

4. Main components and scope of risk measurement systems:

Rating is used for corporate and commercial clients while scoring is used for retail credits in the Group in order to measure credit risk. Internal rating systems are designated in the framework of business strategy, risk appetite, regulations of authorities with respect to rating systems and internal policies and their performances are periodically monitored by Risk Management Group and results are reported to Board of Directors and senior management. On the other hand, validations of rating models are coordinated by Credit Risk and Modelling Department. The Group has information systems enabling reporting according to sector, segment, branch, exchange rate, maturity, internal rating grade and risk class of credit portfolio. Risk appetite limits determined in Credit Risk Policy are monitored on a monthly basis and reported to Board of Directors and senior management.

The Group determines internal limits which are revised in the framework of business model, strategy and risk appetite of the Group reviewed at least on an annual basis for exchange rate, interest, counterparty and liquidity risk which may be exposed. All limits are approved by Board of Directors and monitored in an effective manner by Board of Directors.

Basic Indicator Approach is used in order to determine capital requirement required for operational risk in accordance with legislations of BRSA. The Group performs self-evaluation studies in order to raise awareness in operational risks, determine current operational risks and reduce possible negative impacts of such risks to minimum.

5. Disclosures on risk reporting processes provided to Board of Directors and senior management:

Risk Management Group reports results of analysis related to risks such as credit, liquidity and operational to Board of Directors, Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, ALCO and senior management. Reporting is made to Risk Coordination Committee and Board of Directors on a monthly basis while it is made to Audit Committee and Board of Directors Risk Committee on a quarterly basis.

Results of concentration and credit risk stress test based on sector, segment, maturity, collateral, currency, internal rating grade of credit; structural interest rate risk sourcing from banking accounts, details related to derivatives, liquidity analysis, stress tests made related to counterparty credit risk, deposit concentration, realizations related to risk appetite limits of market and liquidity; historical developments of operational risks based on loss categories and their distribution based on Parent Bank and subsidiaries are included in aforementioned reports.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

6. Disclosures on Stress Test:

The Group makes stress tests for risk categories of credit, market, liquidity and operational risk both in scope of Internal Capital Adequacy Assessment Process (ICAAP) and also as periodical internal and results are shared with Board of Directors, senior management and audit authority, if required.

The Group considers scenarios announced by BRSA and pre-determined negative and extremely negative scenarios for stress tests made in scope of ICAAP. Scenarios are determined through taking macro-economic variables, business strategy and risk appetite of the Group and negative past conditions into account. In scope of ICAAP, both particular and also total stress tests are made based on significant risk types.

Internal periodic stress tests are made in the framework of scenarios determined internally in accordance with portfolio, business strategy, risk appetite and retrospective estimations of the Group. The Group prepares its internal periodic stress tests through benefiting from sensitivity analysis, stress test, reverse stress test and scenarios analysis instruments. Credit risk stress tests include scenarios such as depreciation of Turkish Lira and increase in overdue receivables. On the other hand, reverse stress tests towards risk appetite limits through scenario analysis related to concentration index are periodically made.

Impact of each shocks on profitability and capital is measured in stress tests made in scope of Market Risk. Risk factors, for which a shock is applied, are exchange rates, interests and prices of shares. Foreign exchange position gain/loss sourcing from sudden exchange and interest movements, banking activities, impact of Interbank transactions and Commercial Funding on capital, bond, derivative and share portfolio gain/loss are calculated in stress tests.

Impact of exchange and interest shocks on derivative portfolio specific for customer is reviewed in scope of Counterparty Credit Risk stress tests and results are discussed in related committees.

In scope of operational risk tests, loss estimation is made through statistical methods via taking historical loss data into account and its effect on capital requirement is reviewed.

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

The Group includes collaterals in Communique on Credit Risk Mitigation Techniques to credit risk mitigation with respect to capital requirements calculations and those collaterals are used in calculations over their consideration rates in the aforementioned communique. The operational conditions mentioned in the Communique should be met in order to be able to include collaterals in credit risk mitigation.

Determination of actions towards mitigation through evaluating risks exposed in current processes, key risk indicators and loss events, use of support services and pre-evaluation studies of implementation procedures and policies of new products are carried out in order to mitigate risk which are exposed or shall be exposed in operational risk management. Insurances towards risk mitigation are made. Risk mitigation exposed due to a cut-off is aimed to be reduced through Business Continuity Plan approved by Board of Directors ensuring the continuity of operations in reasonable periods. In this scope, Business Continuity Plan is periodically tested and required updates are made.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

b. Overview of risk weighted amounts

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of the date 31 December 2017:

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

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	Prior Period	Current Period
		31 December 2017	31 December 2016	31 December 2017
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	13.960.500	12.479.832	1.116.840
2	Standardised approach (SA)	13.960.500	12.479.832	1.116.840
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	367.260	317.260	29.381
5	Standardised approach for counterparty credit risk (SA-CCR)	367.260	317.260	29.381
6	Internal Model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-
16	Market risk	127.984	98.580	10.239
17	Standardised approach (SA)	127.984	98.580	10.239
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	816.153	657.901	65.292
20	Basic indicator approach	816.153	657.901	65.292
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	15.271.897	13.553.573	1.221.752

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

IV. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

c. Relationships between financial statements and risk amounts

1. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation:

	Valued amount according to TAS within legal consolidation	Subject to credit risk	Carrying values of items in accordance with TAS				Valued amount according to TAS within legal consolidation
			Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital	
Assets							
Cash and balances with the Central Bank	2.027.340	2.027.340	2.027.340	-	-	-	-
Trading Financial Assets	143.939	143.939	-	138.497	-	153.218	131
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	168.729	168.729	168.729	-	-	-	-
Money Market Placements	11.000	11.000	11.000	-	-	-	-
Financial Assets Available-for-Sale (net)	276.595	276.595	276.595	67.616	-	-	-
Loans and Receivables	13.286.738	13.286.738	13.253.061	33.677	-	-	-
Factoring Receivables	6	6	6	-	-	-	-
Held-to-maturity investments (net)	171.218	171.218	171.218	-	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-	-
Lease Receivables	1.971.878	1.971.878	1.971.878	-	-	-	-
Derivative Financial Assets Held For Hedging	269.300	269.300	-	269.300	-	-	-
Property And Equipment (Net)	72.100	72.100	53.508	-	-	-	18.592
Intangible Assets (Net)	47.308	47.308	-	-	-	-	47.308
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	21.029	21.029	21.029	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.095	45.095	45.095	-	-	-	-
Other Assets	242.423	242.423	242.423	-	-	-	-
Total assets	18.754.698	18.754.698	18.241.882	509.090	-	153.218	66.031
Liabilities							
Deposits	8.872.471	8.872.471	-	-	-	-	8.872.471
Derivative Financial Liabilities Held for Trading	160.778	160.778	-	110.938	-	105.634	49.840
Funds Borrowed	6.082.762	6.082.762	-	-	-	-	6.082.762
Money Markets	256.216	256.216	-	200.159	-	-	56.057
Marketable Securities Issued	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	353.907	353.907	-	-	-	-	353.907
Other Liabilities	53.867	53.867	-	-	-	-	53.867
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	53.975	53.975	-	-	-	-	53.975
Provisions	198.067	198.067	-	-	-	-	198.067
Tax Liability	69.598	69.598	-	-	-	-	69.598
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	1.140.582	1.140.582	-	-	-	-	1.140.582
Shareholder's Equity	1.512.475	1.512.475	-	-	-	-	1.512.475
Total Liabilities	18.754.698	18.754.698	-	311.097	-	105.634	18.443.601

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	18.904.190	18.241.882	-	509.090	153.218
2	Liabilities carrying value amount under regulatory scope of consolidation	(416.731)	-	-	(311.097)	(105.634)
3	Total net amount under regulatory scope of consolidation	18.487.459	18.241.882	-	197.993	47.584
4	Off-Balance Sheet Amounts	-	-	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	1.993.978	1.392.261	-	521.317	80.400
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	20.481.437	19.634.143	-	719.310	127.984

3. Disclosures on Differences between Amounts valued in accordance with TAS and Risk Exposures

There exists no difference between accounting and legal consolidation scopes of the Group.

Significant differences between amounts valued in accordance with TAS and Risk exposures source from securities and derivatives. Securities mentioned in repo transaction in financial assets held for trading and held for sale financial assets are designated in Money Markets Debts item. For derivative transactions, the Group has foreign exchange swap and interest swap products which are monitored under trading accounts and made for structural interest rate risk and liquidity risk management. Therefore, those products should not be considered in scope of market risk although they are monitored under trading accounts in accordance with TAS.

Valuation methodologies, including disclosure on using of market value and model value methodologies, performs valuation of financial assets of the Parent Bank tracked under trading accounts on a daily basis. Market prices, obtained from independent data providers, are kept in treasury system and valuations are made systemically.

Market values of products such as forward exchange, foreign exchange swaps and interest swaps traded in over the counter markets are calculated based on discounting of cash flows over market interest rates. Globally accepted valuation methodologies are used for option products.

The Parent Bank uses weighted average prices for securities trades in BIST for Turkish Lira securities portfolio while it uses prices in nature of indicator announced by Central Bank for securities not traded on BIST. Market average prices, obtained from independent data providers, are used for foreign currency securities.

The Parent Bank makes all calculations of fair values based on mid price.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

Description of independent price approval processes: The Parent Bank obtains market prices, which shall be used in valuation, from independent data providers and manages through checkpoints established independent from risk generating unit/departments. Valuation prices are determined through collection of data in treasury system for risk factors exposed at a pre-determined hour in each day. The aforementioned data is formed following an inquiry executed by Information Technologies without the interruption of any users. Prices, which shall be used in valuations, are controlled by Market Risk Department on a daily basis.

Besides, Market Risk Department controls and documents yield curves, valuation methods and accuracy of fair value calculations periodically.

Processes for valuations adjustments or differences: The Group does not make valuation adjustment since financial assets recognized at fair value are traded on an active market.

d. Credit Risk Disclosures

1. General Qualitative Information on Credit Risk

(i) Conversion of Bank's business model to components of credit risk profile

The Group has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments. The Group especially uses stress test and scenario analysis in order to measure effects of negative conditions on bank's portfolio and business strategy and risk appetite to the Group is considered while determining parameters for respective analysis.

(ii) Criteria and approach used during the determination of credit risk policy and credit risk limits

The Group determines short, medium and long term credit strategies in line with business strategy and risk appetite and performs studies in line with criteria details in policies of credit policies and credit risk policies in order to minimize expected and unexpected losses exposed due to credit operations. Credit policies determines procedures related to crediting, monitoring, collection and administrative and legal proceedings based on prudent man and applicability principles. Besides, general framework of credit risk studies made in order to execute credit risk in an efficient manner which is requested by legal authorities. Therefore, Credit Risk Policy, forming top level framework of credit risk studies of the Group, and credit risk limits detailed in this document are determined based on legal requirements, business strategy of the Group, credit strategy, risk appetite and credit policies and reviewed at least annually and updated, if required. Business strategy, risk appetite and retrospective portfolio realizations are taken into consideration while determining credit risk limits. On the other hand, methods such as stress test and reverse stress test are used during the determination of limit levels.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

(iii) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Group in favour of individuals or legal entities are reviewed in scope of credit risk management. In this context, first level of controls are detailed in credit policies and implementation principles. Internal rating systems are benefited as well as credit allocation processes in order to measure creditability of customers.

Credit risk studies in scope of capital adequacy are carried out by Credit Risk and Modelling Department within the body of Risk Management Group in the framework of Credit Risk Policy. Credit Risk Policy include activities related to credit risk management, credit risk management organization, related parties and their responsibilities and duties, main principles, implementations, limits and reporting determine in credit risk management.

Duties and responsibilities of Risk Management Group Credit Risk and Modelling Department with respect to credit risk management are as follows:

- To make principal amount calculations subject to legal credit risk in the framework of determined rules by related regulations of BRSA and to monitor up-to-dateness of application used in this scope,
- To report results of analysis related to risk definition, measurement, analysis, monitoring and portfolio subject to in/off balance sheet credit risks to senior management in scope of Credit Risk Policy approved by Board of Directors and related application principles,
- To support development of rating/score card models for corporate, commercial and retail credits, to monitor their performances and to participate/coordinate their validation studies,
- To perform credit risk stress test, reverse stress test and scenario analysis determined through related regulations of BRSA and approved by Board of Directors and to share respective results with Risk Coordination Committee, senior management, Audit Committee, Board of Directors Risk Committee and Board of Directors,
- To make probability of default (PD), loss given default (LGD) and residual risk calculations based on internal rating models and share opinion and recommendations for the establishment of infra-structure for aforementioned calculations,
- To analyse credits portfolio through applying stress test, reverse stress test and scenario analysis, if required, for credit risk management,
- To monitor, report risk appetite limits determined in Credit Risk Policy periodically and share opinion and recommendations in revision of risk appetite limits,
- To share recommendations developed for stress test and scenario analysis in order to be presented to Board of Directors, with Risk Coordination Committee and Risk Committee.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

iv. Relation between credit risk management, risk control, legal compliance and internal audit functions

A triple layered control mechanism is established in order manage credit risk and to reduce expected and unexpected losses to a minimum level at the Group. First level of controls are performed by executive units and include controls in entering into credit relation with customers having high level of creditability, credit allocation, crediting, repayment and monitoring phases. Second level of controls includes activities performed by Risk Management Group and Internal Control Centre and consist of definition, measurement, monitoring, reporting of risks and development of measures which shall reduce credit risk with executive departments. Third level of controls are performed by Supervisory Board. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Bank are shared with both executive and non-executive departments such as Risk Management Group.

Internal Audit function is executed by Directorate of Supervisory Board at the Bank. In this context, evaluations with respect to credit risk are carried out by Directorate of Supervisory Board through taking risks exposed by the Parent Bank and related controls into account in the framework of annual audit plans. Assurance is provided on effectiveness and sufficiency of internal control and risk management strategies related to credit risk activity field executed towards strategies and objectives of the Group through credit risk management in scope of headquarters unit and process audits and branch audits including participation of Directorate of Supervisory Board.

Managers of Risk Management Group, Internal Control Centre, Compliance Department and Directorate of Supervisory Board inform members of Committee through holding Risk Coordination Committee on a two week basis and Audit Committee and Board of Directors Risk Committee meetings held on quarterly basis. Issues determined in the framework of second and third level of controls are examined in meetings for credit risk management and risk mitigation measures are reviewed. Those departments report to Board of Directors through Audit Committee and Board of Directors Risk Committee.

v. Disclosures regarding risk reporting processes provided to members of Board of Directors and senior management

Credit risk exposed by the Group is monitored periodically by Risk Management Group Credit Risk and Modelling Departments and results are shared with senior managers of ALCO, credit marketing and allocation on a weekly basis, with Board of Directors and Risk Coordination Committee on a monthly basis and with Board of Directors Risk Committee on a quarterly basis. The scope and main content of aforementioned reports consist of sector, segment, risk classes, internal rating grades, collateral concentration of credit portfolio; close monitoring and legal proceedings portfolios, ageing analysis, probability of default estimations calculated based on rating and scoring systems , foreign currency and maturity concentrations, capital adequacy, periodical comparisons and result of stress test and scenarios analysis.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Credit quality of assets

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	Defaulted exposures	Non-defaulted exposures		
1	Loans	394.852	13.111.165	314.617	13.191.400
2	Debt Securities	-	444.427	1	444.426
3	Off-balance sheet exposures	21.806	2.574.379	6.564	2.589.621
4	Total	416.658	16.129.971	321.182	16.225.447

3. Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at the end of the previous reporting period	296.841
2	Loans and debt securities that have defaulted since the last reporting period	161.820
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(42.003)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4+5)	416.658

4. Additional disclosures related to credit quality of assets:

i. Scope and descriptions of "overdue" receivables and "provisioned" receivables which are used for accounting and differences between descriptions of "overdue" and "provisioned", if available.

Receivables having a delay of more than 90 days are defined as "overdue receivables". There is no difference between "overdue receivable" and "provisioned" definitions since provision is made for the whole overdue receivables.

ii. Part of overdue receivables (more than 90 days) which are not evaluated as "provisioned" and reasons for this application:

None.

iii. Descriptions of methods used while determining provision amounts:

Specific provision amounts are determined in accordance with "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and collaterals are also based on rated mentioned in aforementioned Communiqué.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

iv. Descriptions of restructured receivables:

Credits and other receivables can be restructured, through providing additional credit, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency in accordance with Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation").

v. Breakdown of receivables according to geographical regions, sector and residual maturity:

Separation of receivables according to geographical area (cash and non-cash loans and follow-up receivables):

	31 December 2017	31 December 2017	31 December 2016
1	Domestic	15.387.029	12.644.245
2	European Union Countries	15.850	67.977
3	OECD Countries **	-	-
4	Off-shore Banking Regions	-	-
5	USA, Canada	1.823	-
6	Other Countries	691	1.636
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-
8	Unallocated Assets / Liabilities ***	-	-
9	Total	15.405.393	12.713.858

Breakdown of receivables by sector (Cash and non-cash loans and follow-up receivables):

	31 December 2017	31 December 2017	31 December 2016
1	Agriculture	45.857	55.372
2	Farming and Stockbreeding	40.799	39.496
3	Forestry	45	131
4	Fishery	5.013	15.745
5	Manufacturing	4.250.160	3.590.383
6	Mining and Quarrying	696.885	467.344
7	Production	2.861.350	2.574.029
8	Electricity, Gas and Water	691.925	549.010
9	Construction	4.289.802	3.991.816
10	Services	4.979.258	4.630.629
11	Wholesale and Retail Trade	1.523.026	1.675.677
12	Accommodation and Dining	1.164.710	898.931
13	Transportation and Telecom	574.441	432.357
14	Financial Institutions	1.092.728	961.480
15	Real Estate and Rental Services	535.828	555.574
16	Professional Services	13.391	17.080
17	Educational Services	24.601	15.698
18	Health and Social Services	50.533	73.832
19	Other	1.840.316	445.658
20	Total	15.405.393	12.713.858

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

Separate receivables according to remaining demand (cash and non-cash loans and follow-up receivables):

	1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributable	Total
31 December 2017							
Cash and Non-cash loans	1.486.310	2.657.370	2.974.960	6.363.790	1.735.702	187.261	15.405.393
31 December 2016							
Cash and Non-cash loans	2.404.688	1.863.661	2.448.770	4.615.011	1.249.067	132.661	12.713.858

vi. Amounts of receivables provisioned based on geographical regions and sector and amount written-off from assets through related provisions

Geographical and sectoral breakdowns of impaired and overdue receivables and provisions made for those receivables and value adjustments are shown below, and all amounts included in this table are domestic. As of 31 December 2017, the provision amount written-off from assets is null.

		31 December 2017		31 December 2016	
		Non Performing Loans	Special Provisions	Non Performing Loans	Special Provisions
1	Agriculture	6.885	5.730	11.166	4.065
2	Farming and Stockbreeding	6.263	5.132	10.578	3.477
3	Forestry	566	542	532	532
4	Fishery	56	56	56	56
5	Manufacturing	132.744	83.902	112.370	60.607
6	Mining and Quarrying	14.869	12.611	17.380	11.634
7	Production	117.678	71.094	94.793	48.874
8	Electricity, Gas and Water	197	197	197	99
9	Construction	91.765	32.632	39.752	23.590
10	Services	151.020	88.766	108.815	53.304
11	Wholesale and Retail Trade	124.300	80.185	90.784	47.561
12	Accommodation and Dining	6.279	2.779	3.404	762
13	Transportation and Telecom	9.008	2.173	3.083	1.602
14	Financial Institutions	1.267	172	15	15
15	Real Estate and Rental Services	1.177	496	1.492	513
16	Professional Services	827	827	2.120	639
17	Educational Services	4.932	1.237	4.978	1.285
18	Health and Social Services	3.230	897	2.939	927
19	Other	12.438	8.243	5.932	3.808
20	Total	394.852	219.273	278.035	145.374

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

vii. Ageing analysis for overdue receivables.

Ageing analysis for overdue receivables are included in IV. Part II.b section.

viii. Breakdown of restructured receivables based on being provisioned or not.

Specific and general provision are made for restructured receivables and free provision is made for miscellaneous risks, if required, in scope of Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and there is no situation in which no provision is made.

e. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

Collaterals obtained as guarantees of credits are secondary repayment sources of credits. Therefore, it should be considered that market values of assets and commitments, obtained as collaterals, are measureable and whether they have a second hand market or not. Collaterals accepted by Groups are listed in Corporate Credit Policy and its annexes.

Collaterals, which should be received as a guarantee for each credits and credit collateral ratio with respect to those collaterals are determined during the allocation of credits. Related approval authority is authorized to determine a credit collateral ratio for each customer and credit. If assets traded on markets having higher level of volatility are received as collaterals, a prudential credit collateral rate is determined through considering maturity of the credit and price volatility of the asset.

Short term fluctuations in fair value of assets are not considered in evaluation of collaterals. Regular reviews of collaterals such as property and cheque whose change of value and translation to cash ability cannot be monitored simultaneously are made. Market value of properties received as collateral are reviewed in accordance with rules determined by BRSA and internal rules determined in related policies.

Insuring of collaterals against possible losses is preferred, when possible. Insurance of properties, vehicles and equipment, received as collateral, is compulsory as wells as its renewal as long as the credit risk of the insured continues.

In collateralized credit transactions, if it is established as a result of revaluations tests made on collaterals that there exist an impairment and therefore the collaterals received remained under credit collateral ratio, additional collateral should be received.

Establishment of Type of collateral guarantor in a versatility preventing concentration on collateral providers and geography, is one of the main principles.

The Group considers collaterals in its calculations for principal amount subject to credit risk in accordance with rules mentioned in Communiqué on Measurement and Evaluation of Bank's Capital Adequacy and its annexes and Communiqué on Risk Mitigation Techniques.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Credit risk mitigation techniques

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateraliz ed amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	7.272.179	5.919.221	4.603.242	1.247	1.247	-	-
2	Debt Securities	444.426	-	-	-	-	-	-
3	Total	7.716.605	5.919.221	4.603.242	1.247	1.247	-	-
4	Of which defaulted	193.085	-	-	-	-	-	-

f. Credit Risk if the Standard Approach is used:

**1. Qualitative Disclosures which shall be made related to Rating Grades used in the calculation
of Credit Risk with Standard Approach by Banks:**

Credit Risk if the Standard Approach is used:

Fitch Grades are used in credit risk standard approach calculations by the group.

Fitch Rating Grades are taken into account by risk receivables from centralized administrations or from central banks and by foreign banks or by the financial institutions receivables portfolio.

Fitch Marks assigned to a debtor is taken into account for all assets of the debtor, no exception is made for a significant category of assets.

CRA's which are not included in the twinning table of the institution, are not used.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

2. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects:

	On-balance sheet amount	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	2.420.365	-	3.537.131	-	437.223	12,4%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	272	63	272	13	285	99,9%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	211.711	73.348	211.713	47.573	104.641	40,4%
7	Exposures to corporates	9.315.975	2.086.794	8.526.353	1.176.526	9.282.487	95,7%
8	Retail exposures	582.901	133.173	541.500	46.558	428.363	72,8%
9	Exposures secured by residential property	690.450	36.490	644.959	13.847	230.441	35,0%
10	Exposures secured by commercial real estate	4.426.745	36.523	4.224.452	16.017	2.878.394	67,9%
11	Past-due loans	175.579	-	175.579	-	179.081	102,0%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	417.884	228.947	413.863	57.787	419.585	89,0%
17	Equity Investment	-	-	-	-	-	-
18	Total	18.241.882	2.595.338	18.275.822	1.358.321	13.960.500	71,1%

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Exposures by asset classes and risk weights

		0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)
	Asset classes/ Risk weight										
1	Exposures to central governments or central banks	3.099.908	-	-	-	-	-	437.223	-	-	3.537.131
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	285	-	-	285
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	1	-	157.550	-	57.209	-	44.526	-	-	259.286
7	Exposures to corporates	104.245	-	227.422	-	274.384	-	9.090.861	5.967	-	9.702.879
8	Retail exposures	12.910	-	5.199	-	555	569.394	-	-	-	588.058
9	Exposures secured by residential property	403	-	4	658.399	-	-	-	-	-	658.806
10	Exposures secured by commercial real estate	13.665	-	535	-	2.695.962	-	1.530.307	-	-	4.240.469
11	Past-due loans	1	-	-	-	27.679	-	113.218	34.681	-	175.579
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-
17	Other receivables	52.065	-	-	-	-	-	419.585	-	-	471.650
18	Total	3.283.198	-	390.710	658.399	3.055.789	569.394	11.636.005	40.648	-	19.634.143

g. Disclosures regarding Counterparty Credit Risk

1. Qualitative Disclosures on Counterparty Credit Risk

i. Objectives and policies of risk management with respect to CCR,

Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope. The Group ensures timely and accurate briefing for senior management and related departments (ALCO and Capital Markets, Treasury Sales, Credit Tracking and Credit Collection Departments and Chairman of Risk Management Group, Marketing, Credits and Treasury, Deputy General Managers responsible for Capital Markets and Financial Institutions) and assignment of appropriate staff for measurement and monitoring for the purpose of an effective counterparty credit risk management. Senior Management is responsible for understanding significance and level of counterparty credit risk taken by the Group.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

1. Qualitative Disclosures on Counterparty Credit Risk (Continued):

The Group allocates limits approved on the basis of customer and approved in different level of authorization in order to manage counterparty credit risk. Those limits are determined in a way including risk, which shall be taken, instrument and maturity information and periodically reviewed.

Activities, job definitions and responsibilities related to management, measurement, monitoring and reporting of counterparty credit risk are determined through policies and procedures. Counterparty credit risks can be simultaneously controlled on treasury system and early warning limit excess mechanisms are triggered if the use of limits are over 80%.

The Parent Bank uses mark-to-market approach in order to measure counterparty credit risk and therefore, determines coefficients (add-on) used in order to add current market value through multiplying nominal amount of transaction for the purpose of establishing the risk exposed by counterparty until the maturity. Aforementioned coefficients are calculated based on market data obtained from independent data providers and it is principal that aforementioned coefficients should be lower than coefficients determined in Part 3 of Annex -2 of Communique on Measurement and Evaluation of Bank's Capital Adequacy prepared by BRSA and coefficients used in legal capital calculations. Market Risk Department reviews add-on coefficients with updated market data periodically reserving its right to update add-on coefficients more frequently if the volatility increases.

Besides, senior management is periodically supported with stress tests for business lines, Treasury and Credit Allocation decision making processes.

ii. Operational limit allocation method determined in scope of calculated internal capital for CCR and central counterparty risk

The Group assigns limits mentioned in transactions causing counterparty credit risk and central counterparty credit risk in accordance with principles determined in credit policies. It is principal to select customers having a high creditability and sufficient collateral conditions. Therefore, compliance of off-balance sheet transactions subject to CCR to in-balance sheet position of the customer in addition to creditability and collateral conditions of the customer, should be especially considered while allocating limits of the customer subject to such risks. Exchange rate and maturity compliance of in/off balance sheet transactions of the Customer and the customer having a foreign currency income reducing foreign currency risk to a minimum level are other important components which are considered while allocating aforementioned limits. The Group should be careful in not allocating high level of leverage and/or long term off balance sheet transaction limits.

The Parent Bank performs its treasury limit allocation in line with its Financial Institutions Credit Allocation Policy for those whose counterparty is a financial institution.

Daily Exchange Limit, Total Lending Limits, Issuer limit, Limit before Exchange and Total nominal limit are allocated for financial institutions.

A limit before exchange is allocated for customers apart from financial institutions.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

1. Qualitative Disclosures on Counterparty Credit Risk (Continued):

The Group is not exposed to central counterparty credit risk on non-consolidated basis.

If it is on consolidation basis, there is a minimal central counterparty risk exposure in scope of products offered to customers of Burgan Yatırım A.Ş. Commercial risks and capital requirements are calculated for central counterparty risk and amounts of guarantee fund respectively.

iii. Policies towards determination of Guarantee and other risk mitigations and CCR including central counterparty risk,

International Swaps and Derivatives Association (ISDA), Credit Support Annex (CSA) and/or Global Master Repurchase Agreement (GMRA), which have international validity, are concluded in counterparty credit risk management with respect to financial institutions and collateral management process is operated on a daily basis.

Collateralization principles and procedures within the framework of credit policies applied at Group for companies apart from financial institutions and individuals.

iv. Rules with respect to Counter-trend risk

The Parent Bank uses results of counterparty stress test performed periodically related to counter-trend risk and evaluates impact of deterioration in macro-economic conditions on credit risk of the customer.

v. Amount of additional collateralization, which have to be provided by the Bank if there exist a decline in credit rating grade.

There exists no additional collateral amount, which have to be provided by the Group if there exist a decline in credit rating grade.

2. Assessment of Counterparty Credit Risk according to the models of measurement

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	-	-		-	-	-
2	Internal Model Approach			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					719.310	367.260
4	Comprehensive Method for Credit Risk Mitigation					-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions					-	-
6	Total						

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

3. Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	719.310	90.908
4	Total amount of CVA capital adequacy	719.310	90.908

4. Standardised approach – CCR exposures by regulatory portfolio and risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Risk Classes									
Central governments and central banks receivables									
Local governments and municipalities receivables	-	-	-	-	-	2.074	-	-	2.074
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
Corporate receivables	217.407	-	87.725	310.342	-	470	-	-	615.944
Retail receivables	1.731	-	-	-	-	98.962	-	-	100.693
Mortgage receivables	-	-	-	-	599	-	-	-	599
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	219.138	-	87.725	310.342	599	101.506	-	-	719.310

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

5. Composition of collateral for CCR exposure

	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	20.256	-
Cash - Foreign Currency	-	-	-	-	198.882	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	-	-	-	-	219.138	-

6. Credit derivatives: None.

7. Risks to Central Counterparty:

		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)	-	1.681
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Repo-Reverse Repo transactions, creditable marketable security transactions and securities and commodities lending or borrowing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Repo-Reverse Repo transactions, creditable marketable security transactions and securities and commodities lending or borrowing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

h. Securitization disclosures: None.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

j. Disclosures on Market Risk

1. Qualitative information which shall be disclosed to public related to market risk

- i. The Group defines market risk as the potential financial loss which may occur as a result of fluctuations in capital markets. The aforementioned loss can occur due to fluctuations on share prices, interest rates, commodity prices and exchange rate.

The purpose of controlling and observance on market risk is to control and monitor impacts of markets risks on gain and economic value. In a more detail expression, the purpose of market risk control and audit is to protect Group from unexpected market losses and to establish transparent, objective and consistent market risk information which shall form a basis for decision making process.

Market Risk exposed by the Parent Bank is managed by Treasury, Capital Markets and Financial Institutions. The Parent Bank limits the market risk which shall be exposed for different risk factors in the framework of risk appetite. The framework of the limit and tracking method is determined with Treasury Risk Parameters document approved by Board of Directors and limits are reviews at least on an annual basis.

- ii. Management of market risk is under responsibility of Treasury, Capital Markets and Financial Markets, which generate risk at primary level. Secondary degree controls are provided through independent risk management and internal control functions. Treasury Internal Control Department is established under Market Risk Department and Directorate of Internal Control Centre which operates independent of risk generating departments/units in the framework of authorizations and frameworks described at the Group.

Third level of controls are made through audits of treasury processes and market risk management made periodically by Directorate of Supervisory Board. The audits in question reviews compliance of market risk management to BRSA regulations related to market risk and policy and procedures of Group and Bank, monitoring of limit usages and reporting related to limit excesses and market risk.

- iii. The Parent Bank uses Historical Simulation Method as internal method in order to digitize value at market risk. Unilateral 99% trust range, historical data belonging to working days in past two years and 10 days of holding period are taken into consideration in the calculation. The Parent Bank also calculates stress risk at value on a daily basis.

Treasury Risk Parameters are monitored by Market Risk Department during the day and at the end of day and use of limits and related other analysis are reported to ALCO, Risk Committee, Audit Committee, Risk Coordination Committee and Board of Directors.

Early warning levels for limit usage are determined and the way, which shall be applied in case of an early warning or final limit excess, is stated clearly in Treasury Risk Parameters.

Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate, option vega limits and loss limits determined for trading portfolio.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

III. EXPLANATIONS ON CONSOLIDATED RISK MANAGEMENT (Continued):

j. Disclosures on Market Risk (Continued):

2. Market risk under standardised approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	77.866
2	Equity risk (general and specific)	-
3	Foreign exchange risk	49.791
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	327
7	Scenario approach	-
8	Securitisation	-
9	Total	127.984

IV. EXPLANATIONS ON CONSOLIDATED OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Approach" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28 June 2012. The operational risk capital requirement dated 31 December 2017 has been calculated using the income in 2014, 2015 and 2016.

Annual gross income is calculated through deducting profit/loss sourcing from sales of securities tracked in available for sale and held to maturity securities accounts and extraordinary income, activity expenses made in return for support service and amounts compensated from insurance from total of net amount of interest revenues and non-interest revenues.

	2 Prior Period	1 Prior Period	Current Period value	Total / Total number of years for which gross	Rate (%)	Total
Gross Income	52.508	68.534	74.835	3	15	65.292
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	816.153

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Another important dimension of the currency risk is the change in the exchange rates of different foreign currencies in "Net Foreign Currency Position" (cross currency risk).

A series of limits for the tenure of spot and forward foreign exchange positions is set in the risk parameters section of the budget approved by the Board of Directors annually. There is a conservative foreign currency position management policy in the Group due to the free floating currency regime.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date:

	EUR		USD	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
31 December 2017 / 31 December 2016				
Bid rate	TL 4,5155	TL 3,7099	TL 3,7719	TL 3,5192
1. Day bid rate	TL 4,5155	TL 3,7099	TL 3,7719	TL 3,5192
2. Day bid rate	TL 4,5478	TL 3,6939	TL 3,8104	TL 3,5318
3. Day bid rate	TL 4,5385	TL 3,6901	TL 3,8197	TL 3,5329
4. Day bid rate	TL 4,5116	TL 3,6711	TL 3,8029	TL 3,5135
5. Day bid rate	TL 4,5205	TL 3,6639	TL 3,8087	TL 3,5041

The simple arithmetic average of the Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown below:

	EUR		USD	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Arithmetic average-30 days	TL 4,5508	TL 3,6848	TL 3,8440	TL 3,4950

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

Information on currency risk of the Group:

The Group's real foreign currency position, both in financial and economic terms, is presented in the table below:

	Euro	USD	Other FC	Total
31 December 2017				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	12.909	978.284	1.709	992.902
Due From Banks	11.275	152.607	4.671	168.553
Financial Assets at Fair Value Through Profit or Loss (*)	34.803	8.017	9.907	52.727
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	95.695	-	95.695
Loans (*)	5.311.303	2.954.196	-	8.265.499
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-Maturity Investments	-	171.218	-	171.218
Hedging Derivative Financial Assets (*)	165	10.581	-	10.746
Tangible Assets	-	1.346	-	1.346
Intangible Assets	-	871	-	871
Other Assets	1.104.317	578.523	2.643	1.685.483
Total Assets	6.474.772	4.951.338	18.930	11.445.040
Liabilities				
Bank Deposits	851.586	4.327.625	111.345	5.290.556
Foreign Currency Deposits	-	198.953	-	198.953
Funds From Interbank Money Market	1.569.539	5.447.999	1	7.017.539
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	177.893	121.223	265	299.381
Miscellaneous Payables	1.127	12.039	2	13.168
Hedging Derivative Financial Liabilities	11.804	18.757	9.965	40.526
Other Liabilities (*)	333	92.833	5	93.171
Total Liabilities	2.612.282	10.219.429	121.583	12.953.294
Net On-balance Sheet Position	3.862.490	(5.268.091)	(102.653)	(1.508.254)
Net Off-balance Sheet Position	(3.830.308)	5.289.780	100.381	1.559.853
Financial Derivative Assets	988.000	8.162.761	457.352	9.608.113
Financial Derivative Liabilities	4.818.308	2.872.981	356.971	8.048.260
Non-Cash Loans (**)	587.467	708.298	63.371	1.359.136
31 December 2016				
Total Assets (*)	4.464.722	5.354.383	16.732	9.835.837
Total Liabilities (*)	3.064.516	7.070.203	97.715	10.232.434
Net On-balance Sheet Position	1.400.206	(1.715.820)	(80.983)	(396.597)
Net Off-balance Sheet Position	(1.357.925)	1.558.575	81.299	281.949
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	1.987.518	72.216	4.459.155
Non-Cash Loans (**)	464.496	736.527	46.516	1.247.539

(*) The above table shows the Bank's foreign currency net position based on main currencies. Foreign currency indexed asset are expressed in Turkish Lira rather than foreign currencies in the financial statements according to the Uniform Chart of Accounts. Therefore, foreign currency indexed loans amounting to TL 831.039 (31 December 2016: TL 878.488) are classified as Turkish Lira assets in the 31 December 2017 financial statements and are added to the table above, also there are no foreign currency indexed loans received in the current period (31 December 2016: None). Furthermore, in assets "Income Accruals of Derivative Financial Instruments" amounting to TL 21.351 (31 December 2016: TL 3.769), in liabilities "Expense Accruals of Derivative Financial Instruments" amounting to TL 54.410 (31 December 2016: TL 9.622), "General Provisions" amounting to TL 64.850 (31 December 2016: TL 53.785), free provisions amounting to TL 23.997 (31 December 2016: TL 19.721) and "Marketable Securities Valuation Reserve" with "Hedging Derivative Financials" amounting to TL 6.230 (31 December 2016: TL (5.014)) are not included in the table above.

(**) Non cash loans are not included in the total of "Net Off-Balance Sheet Position".

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

Currency risk sensitivity analysis:

If foreign currency appreciated/depreciated against TL at a ratio of 10% and all other variables remain fixed as of December 31, 2017 and 2016, changes, which shall occur in net profit and equity regardless of tax effect due to exchange rate loss/profit sourcing from foreign currency net monetary position, are as follows:

	31 December 2017				31 December 2016			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	2.169	(2.169)	2.792	(2.792)	(15.725)	15.725	(16.226)	16.226
EUR	3.218	(3.218)	3.218	(3.218)	4.228	(4.228)	4.228	(4.228)
Other currency units	(227)	227	(227)	227	32	(32)	32	(32)
Total, net	5.160	(5.160)	5.783	(5.783)	(11.465)	11.465	(11.966)	11.966

(*) Equity effect also includes income table effects.

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK:

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Group's interest rate sensitive assets and liabilities. The interest sensitivity of risks regarding the interest rate both on the on-balance sheet and off-balance sheet are monitored following several analyses and are discussed in Asset and Liability Committee weekly.

The Group closely monitors the maturity gap between liabilities and assets that may arise in the balance sheet to manage the interest rate risk better. Liquidity management is critical in the combination of investments, available-for-sale assets and the trading portfolio. Through using these precautions, the possible loss effects on the shareholders' equity due to both credit risk and interest risk during the volatile periods of the market are minimized.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates
(As for the remaining time to repricing):**

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.975.239	-	-	-	-	52.101	2.027.340
Due From Banks	145.331	-	-	-	-	23.398	168.729
Financial Assets at Fair Value Through Profit/Loss (*)	29.336	111.647	227.327	41.246	3.683	-	413.239
Interbank Money Market Placements	11.000	-	-	-	-	-	11.000
Available-for-Sale Financial Assets	220	91.181	-	122.732	53.519	8.943	276.595
Loans	4.753.935	2.727.799	3.177.468	2.379.633	66.897	181.012	13.286.744
Held-to-Maturity Investments	-	-	-	171.218	-	-	171.218
Other Assets	99.890	81.318	352.631	1.162.344	275.695	427.955	2.399.833
Total Assets	7.014.951	3.011.945	3.757.426	3.877.173	399.794	693.409	18.754.698
Liabilities							
Bank Deposits	86.846	-	-	-	-	6.643	93.489
Other Deposits	5.563.222	2.182.603	712.796	54	-	320.307	8.778.982
Funds From Interbank Money Market	135.234	120.982	-	-	-	-	256.216
Miscellaneous Payables	-	-	-	-	-	353.907	353.907
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	2.258.217	3.139.725	1.792.189	33.213	-	-	7.223.344
Other Liabilities (*)(**)	53.611	62.745	29.737	68.546	114	1.834.007	2.048.760
Total Liabilities	8.097.130	5.506.055	2.534.722	101.813	114	2.514.864	18.754.698
Balance Sheet Long Position	-	-	1.222.704	3.775.360	399.680	-	5.397.744
Balance Sheet Short Position	(1.082.179)	(2.494.110)	-	-	-	(1.821.455)	(5.397.744)
Off-balance Sheet Long Position	487.564	929.592	747.727	-	-	-	2.164.883
Off-balance Sheet Short Position	-	-	-	(1.991.199)	-	-	(1.991.199)
Total Position	(594.615)	(1.564.518)	1.970.431	1.784.161	399.680	(1.821.455)	173.684

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 269.300 and other liabilities includes hedging derivative financial liabilities amounting to TL 53.975 classified to a related re-pricing periods.

(**) Shareholders' Equity is presented in Non Interest Bearing column.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.095.882	-	-	-	-	222.984	1.318.866
Due From Banks	259.365	59.995	-	-	-	18.748	338.108
Financial Assets at Fair Value Through Profit/Loss	44.644	100.055	154.126	12.317	9.247	-	320.389
Interbank Money Market Placements	17.110	-	-	-	-	-	17.110
Available-for-Sale Financial Assets	63.505	120.012	59.919	191.684	92.465	11.570	539.155
Loans	5.460.313	1.485.440	1.710.650	1.805.466	137.091	132.662	10.731.622
Held-to-Maturity Investments	-	-	-	74.975	86.632	-	161.607
Other Assets	54.382	58.533	248.033	856.893	91.883	357.564	1.667.288
Total Assets	6.995.201	1.824.035	2.172.728	2.941.335	417.318	743.528	15.094.145
Liabilities							
Bank Deposits	50.023	-	-	-	-	6.772	56.795
Other Deposits	5.144.462	2.167.616	424.968	280	-	454.548	8.191.874
Funds From Interbank Money Market	311.883	112.877	71.288	-	-	-	496.048
Miscellaneous Payables	-	-	-	-	-	259.443	259.443
Marketable Securities Issued	-	49.288	-	-	-	-	49.288
Funds Borrowed From Other Financial Institutions	521.864	3.240.198	738.845	2.679	-	-	4.503.586
Other Liabilities (*)	77.546	28.815	32.335	40.056	1.545	1.356.814	1.537.111
Total Liabilities	6.105.778	5.598.794	1.267.436	43.015	1.545	2.077.577	15.094.145
Balance Sheet Long Position	889.423	-	905.292	2.898.320	415.773	-	5.108.808
Balance Sheet Short Position	-	(3.774.759)	-	-	-	(1.334.049)	(5.108.808)
Off-balance Sheet Long Position	472.094	530.325	581.813	-	-	-	1.584.232
Off-balance Sheet Short Position	-	-	-	(1.436.608)	(52.217)	-	(1.488.825)
Total Position	1.361.517	(3.244.434)	1.487.105	1.461.712	363.556	(1.334.049)	95.407

(*) Shareholders' Equity is presented in Non Interest Bearing column.

Interest rate sensitivity analysis :

Change in interest rate 31 December 2017	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(18.865)	(15.305)
(-) %1	19.843	15.305

Change in interest rate 31 December 2016	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(892)	(14.022)
(-) %1	953	14.022

In the above study, the effects of (+) 1% and (-) 1% change in interest rates on "capital back-up" items under period profit / loss and equity are shown excluding tax effects.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

Below the average interest rates are calculated by weighting the simple rates with their principals.

31 December 2017	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,50	-	4,00
Due From Banks	-	1,42	-	-
Financial Assets at Fair Value Through Profit/Loss	4,31	5,13	-	10,29
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,32	-	10,19
Loans	5,15	6,44	-	16,38
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	1,41	-	-
Other Deposits (*)	1,73	3,97	-	14,08
Funds From Interbank Money Market	-	2,61	-	11,29
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,25	3,89	-	13,24

(*) Demand deposits are included in the calculation of the weighted average interest rates.

31 December 2016	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,75	-	3,31
Due From Banks	0,01	0,55	-	11,29
Financial Assets at Fair Value Through Profit/Loss	4,79	7,90	-	8,82
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,23
Loans	4,92	6,20	-	15,13
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	-	-	8,16
Other Deposits (*)	1,97	3,31	-	11,01
Funds From Interbank Money Market	-	2,27	-	8,27
Miscellaneous Payables	-	-	-	11,25
Marketable Securities Issued	-	-	-	13,69
Funds Borrowed From Other Financial Institutions	1,99	3,59	-	9,47

(*) Demand deposits are included in the calculation of the weighted average interest rates.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

1. The measurement frequency of the interest rate risk with important estimations including those relating to the quality of the interest rate resulting from banking accounts, advance loan repayment and movements of deposits other than time deposits is explained by the following:

Interest rate risk resulting from the banking accounts is measured according to the month-end balance in accordance with "Regulation No. 28034 on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method", dated 23 August 2011.

Interest sensitive items are taken into consideration in accordance with the re-pricing period and depending on the estimated cash flows. Demand deposits are taken into account based on the core deposit calculations. The change calculated by implementing interest rate shocks on the differences created in accordance with the re-pricing periods of the assets and liabilities in the banking accounts is proportioned to the equities.

2. The table below presents the economic value differences resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

Currency	Applied Shock (+/- x basis point)	Earnings/ Losses	Earnings/ Equities-Losses/ Equities
1. TRY	+500 bp	(107.200)	(4,0)%
2. TRY	-400 bp	99.108	3,7%
3. EURO	+200 bp	(17.891)	(0,7)%
4. EURO	-200 bp	(1.882)	(0,1)%
5. USD	+200 bp	(15.762)	(0,6)%
6. USD	-200 bp	17.623	0,7%
Total (For Negative Shocks)		114.849	4,3%
Total (For Positive Shocks)		(140.853)	(5,3)%

VII. EXPLANATIONS ON THE CONSOLIDATED SHARE CERTIFICATE POSITION RISK:

None.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO:**

Liquidity risk is the risk generated as a result of not having an effect or cash inflow at a level which can meet cash outflow, formed because of an imbalance in cash flow, timely and completely.

Effective liquidity risk management requires assigning appropriate staff for measurement and monitoring and timely informing management of the bank. Board of directors and senior management is responsible to understand the nature and level of the liquidity risk taken by the Parent Bank and the instruments measuring these risks. Additionally, Board of Directors and Senior Management are responsible for the compliance of funding strategies to risk tolerance which is determined to be applied.

Liquidity risk management framework of the Parent Bank is determined with "Burgan Bank Risk Management Policy" and "Burgan Bank Liquidity Risk Policy" documents approved by Bank's Board of Directors and "Burgan Bank Risk Management Policy" and "Burgan Bank Treasury Policy" and "Burgan Bank Assets & Liabilities Management Committee (ALCO)" in scope of banking legislation.

Liquidity management is primarily under the responsibility of ALCO in accordance with the Liquidity Risk Management of the Bank. Treasury, Capital Markets and Financial Corporations Group are responsible to perform required actions in accordance with the liquidity standards determined in accordance with the Liquidity Risk Policy. Market Risk Departments is secondarily responsible and it is responsible to control and report compliance with the limits. Detailed information related to periodic and specific reports related to liquidity risk, stress tests, scenario tests, scenario analysis, compliance with risk limits and legal liquidity reports are included in Liquidity Risk Policy of the Bank.

Liquidity risk exposed by the Parent Bank, risk appetite, liquidity risk reduction appropriate to liquidity and funding policies (diversification of funding sources and maturities, derivative transactions), establishment of effective control environment, risk limits, early warning and triggering market indicators are managed through monitoring closely.

The liquidity risk is removed by short term placements, liquid marketable assets wallet and strong equity structure in the management of liquidity risk. Board of Directors of Bank can perform limit reduction regardless of credit value in current placement limits when the volatility in markets increases. Management of the Bank and ALCO monitors possible marginal costs of payments and spurts as a result of studies made in scope of scenario analysis while tracking interest margin in diversified maturity segments between assets and liabilities. Borrowing limits which can be used in short-term for spurts from Central Bank, BIST Repo Market, Takasbank Money Market and banks are applied at a minimum level. The Parent Bank does not need to use these sources because of its current liquidity position but it uses the aforementioned limits for short-term transaction opportunities. Assets, liabilities and positions on the basis of main types of currencies (currencies forming at least 5% of Bank's total liabilities) are managed under the control of Treasury and Capital Markets.

Firstly, the Parent Bank and subsidiaries subject to consolidation are responsible to be in accord with the minimum liquidity restrictions that are set by legislation and consolidated and unconsolidated liquidity restrictions that is determined in the Bank's Liquidity Risk Policy There should be no excess in liquidity limits in accordance with the Bank's policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Triggering market indicators are indicators which are tracked as early warning signals before the transition to stress environment which can form in the market as a result of ordinary business condition. Early warning limits related to liquidity risk in Bank are determined and aforementioned limits are monitored closely with the triggering market indicators.

Market Risk Department reports results of scenarios related to liquidity risk to Board of Directors, Risk Coordination Committee, Risk Committee and ALCO through making monthly calculations based on stress scenarios. These stress tests identify negative market conditions and potential fund outflows which occur in funding resources in a liquidity crisis. The purpose of stress test is to inform related committees and Board of Directors regarding liquidity outflows and derogation which can occur in the liquidity ratios of the Parent Bank. Required actions are taken by ALCO if there are similar situations mentioned in stress scenarios.

An ALCO meeting is held with a call made by Treasury, Capital Markets and Deputy General Manager of Financial Corporations if there is a negative development sourcing from the group or liquidity. Precautions which shall be taken in this process are determined in scope of Liquidity Emergency Plan and details related to Liquidity Emergency Plan are included in Liquidity Risk Policy of the Parent Bank.

The Parent Bank has a central funding institution function in its relations with partners. Intra-group liquidity management and funding strategies are limited to related legal limitations.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Liquidity Coverage Ratio:

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2017		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets	-	-	2.047.365	1.377.625
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	5.793.393	2.964.383	553.623	296.438
3	Stable deposits	514.333	-	25.717	-
4	Less stable deposits	5.279.060	2.964.383	527.906	296.438
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.631.244	1.834.271	1.451.772	896.376
6	Operational deposits	844.191	738.315	211.048	184.579
7	Non-Operational Deposits	1.158.499	846.445	612.587	462.286
8	Other Unsecured Funding	628.554	249.511	628.137	249.511
9	Secured funding	-	-	-	-
10	Other Cash Outflows	64.720	57.474	64.720	57.474
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	64.720	57.474	64.720	57.474
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.503.898	1.497.236	300.807	180.239
16	TOTAL CASH OUTFLOWS	-	-	2.370.922	1.430.527
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.443.023	442.170	1.030.715	299.428
19	Other contractual cash inflows	12.862	383.974	12.862	383.974
20	TOTAL CASH INFLOWS	1.455.885	826.144	1.043.577	683.402
				Upper Bound Applied Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS	-	-	2.047.365	1.377.625
22	TOTAL NET CASH OUTFLOWS	-	-	1.327.345	747.125
23	Liquidity Coverage Ratio (%)	-	-	154,25	184,39

(*)The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

31 December 2016	Unweighted Amounts (*)		Weighted Amounts (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High Quality Liquid Assets	-	-	1.099.734	808.933
CASH OUTFLOWS				
2 Retail and Small Business Customers Deposits	4.924.797	2.766.517	472.368	276.652
3 Stable deposits	402.240	-	20.112	-
4 Less stable deposits	4.522.557	2.766.517	452.256	276.652
5 Unsecured Funding other than Retail and Small Business Customers Deposits	2.450.021	1.649.165	1.204.964	749.132
6 Operational deposits	968.513	763.732	242.128	190.933
7 Non-Operational Deposits	1.172.483	766.033	653.811	438.799
8 Other Unsecured Funding	309.025	119.400	309.025	119.400
9 Secured funding	-	-	11.463	11.463
10 Other Cash Outflows	68.027	120.238	68.027	120.238
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	68.027	120.238	68.027	120.238
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14 Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	2.099.187	1.136.828	242.700	138.246
16 TOTAL CASH OUTFLOWS	-	-	1.999.522	1.295.731
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	1.155.475	369.360	714.333	288.185
19 Other contractual cash inflows	6.389	108.991	6.389	108.991
20 TOTAL CASH INFLOWS	1.161.864	478.351	720.722	397.176
			Upper Bound Applied Amounts	
21 TOTAL HIGH QUALITY LIQUID ASSETS	-	-	1.099.734	808.933
22 TOTAL NET CASH OUTFLOWS	-	-	1.278.800	898.555
23 Liquidity Coverage Ratio (%)	-	-	86,00	90,03

(*)The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Liquidity coverage rate is calculated through estimating high quality liquid assets owned by the Bank to net cash out flows based on 30 days of maturity. Balance items which are determinant on the ratio are sorted as required reserves kept in Central Bank of Turkey, securities which are not subject to repo/guarantee, deposit having a corporate transaction, banks deposits, foreign sourced funds and receivables from banks. The impacts of aforementioned items on liquidity coverage ratio are higher than other items since they have a higher share in liquid assets and net cash out flows and they can change in time.

High quality liquid assets of the Bank consist of accounts in Central Bank of Turkey at a ratio of 90% and securities issued by Undersecretariat of Treasury at a ratio of 8%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to bank debt at ratios of 22%, 43% and 23% respectively.

Fluctuations in foreign currency derivative transaction volumes, mainly in foreign currency swaps, can have an impact on foreign currency liquidity coverage rate although derivative transactions generate a lower level of net cash flow with respect to liquidity coverage rate.

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. As of 31 December 2017, information regarding aforementioned cash outflow are as follows:

Date	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
	FC	FC + TL
31 December 2017	57.474	57.474

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. As of 31 December 2017, liquidity coverage rates must be at least 60% for foreign currency assets and liabilities and at least 80% in total assets and liabilities. Dates and values of the lowest and highest foreign currency and total consolidated liquidity coverage ratios calculated monthly related to the last quarter are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC + TL	FC	FC + TL
Monthly Arithmetic Average (%)	217,45	163,60	153,77	147,69
Monthly	31.10.2017	31.10.2017	31.12.2017	31.12.2017

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 2017	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (***)	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	52.101	1.975.239	-	-	-	-	-	2.027.340
Due From Banks	23.398	145.331	-	-	-	-	-	168.729
Financial Assets at Fair Value Through Profit or Loss (*)	-	17.035	26.021	60.252	298.536	11.395	-	413.239
Interbank Money Market Placements	-	11.000	-	-	-	-	-	11.000
Available-for-Sale Financial Assets	-	-	20.284	220	193.628	53.519	8.944	276.595
Loans	-	1.486.310	1.623.274	2.891.287	5.737.682	1.367.179	181.012	13.286.744
Held-to-Maturity Investments	-	-	-	-	171.218	-	-	171.218
Other Assets (**)	-	123.930	82.839	372.167	1.213.878	278.741	328.278	2.399.833
Total Assets	75.499	3.758.845	1.752.418	3.323.926	7.614.942	1.710.834	518.234	18.754.698
Liabilities								
Bank Deposits	6.643	86.846	-	-	-	-	-	93.489
Other Deposits	320.307	5.563.222	2.182.603	712.796	54	-	-	8.778.982
Funds Borrowed From Other Financial Institutions	-	381.824	85.796	2.493.030	3.122.112	1.140.582	-	7.223.344
Funds From Interbank Money Market	-	57.263	-	68.975	129.978	-	-	256.216
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	237.775	-	-	-	-	116.132	353.907
Other Liabilities (*) (***)	-	115.801	43.618	58.503	126.191	2.167	1.702.480	2.048.760
Total Liabilities	326.950	6.442.731	2.312.017	3.333.304	3.378.335	1.142.749	1.818.612	18.754.698
Net Liquidity Gap	(251.451)	(2.683.886)	(559.599)	(9.378)	4.236.607	568.085	(1.300.378)	-
Net Off-balance sheet position	-	360.711	283.564	525.015	(14.967)	1.277	-	1.155.600
Financial Derivative Assets	-	4.436.985	1.803.485	929.100	1.357.464	1.848	-	8.528.882
Financial Derivative Liabilities	-	(4.076.274)	(1.519.921)	(404.085)	(1.372.431)	(571)	-	(7.373.282)
Non-cash Loans	-	-	1.034.096	83.673	626.108	368.523	6.249	2.118.649
31 December 2016								
Total Assets	45.631	2.876.438	1.870.483	2.487.529	5.849.570	1.535.311	429.183	15.094.145
Total Liabilities	461.320	5.929.603	2.419.708	2.642.471	1.122.148	1.155.483	1.363.412	15.094.145
Net Liquidity Gap	(415.689)	(3.053.165)	(549.225)	(154.942)	4.727.422	379.828	(934.229)	-
Net Off-balance sheet position	-	333.859	479.781	227.816	(92.288)	(566)	-	948.602
Financial Derivative Assets	-	2.845.074	1.835.788	574.212	671.041	105	-	5.926.220
Financial Derivative Liabilities	-	(2.511.215)	(1.356.007)	(346.396)	(763.329)	(671)	-	(4.977.618)
Non-cash Loans	-	1.213.835	176.257	385.465	206.150	529	-	1.982.236

(*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 269.300 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 53.975. These accounts are mainly shown under the 1-5 year maturity period.

(**) Assets that are necessary for banking activities, such as fixed and intangible assets, subsidiaries, associates, stationary stocks and account receivables from leasing are classified in this column.

(***) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2017	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	93.496	-	-	-	-	93.496
Funds borrowed from other financial institutions	5.900.445	2.213.385	737.156	73	-	8.851.059
Funds from money market	395.650	136.075	2.679.943	3.488.955	1.222.862	7.923.485
Payables to money market	57.263	-	70.058	130.298	-	257.619
Total	6.446.854	2.349.460	3.487.157	3.619.326	1.222.862	17.125.659

31 December 2016	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	56.806	-	-	-	-	56.806
Funds borrowed from other financial institutions	5.610.737	2.185.214	431.684	312	-	8.227.947
Funds from money market	126.080	196.899	2.245.993	1.191.057	1.226.087	4.986.116
Payables to money market	310.718	-	-	129.753	55.923	496.394
Total	6.104.341	2.382.113	2.677.677	1.321.122	1.282.010	13.767.263

Derivative instruments of group, counter-based maturity analysis:

31 December 2017	Up to 1 month	1-3 months	3-12 months	1-5 Years	Above 5 Years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	4.419.699	1.787.948	799.512	2.771	-	7.009.930
- Out	4.048.708	1.506.560	252.405	2.567	-	5.810.240
Interest rate derivatives:						
- Entry	1.856	3.754	9.221	14.596	1.848	31.275
- Out	1.096	1.592	4.184	6.186	571	13.629
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	15.165	10.455	120.172	1.340.030	-	1.485.822
- Out	25.845	9.749	144.438	1.347.423	-	1.527.455
Interest rate derivatives:						
- Entry	265	1.328	195	67	-	1.855
- Out	625	2.020	3.058	16.255	-	21.958
Total cash entry	4.436.985	1.803.485	929.100	1.357.464	1.848	8.528.882
Total cash out	4.076.274	1.519.921	404.085	1.372.431	571	7.373.282

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

**VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK AND THE CONSOLIDATED
LIQUIDITY COVERAGE RATIO (Continued):**

31 December 2016	Up to 1 month	1-3 months	3-12 months	1-5 Years	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	2.534.925	1.026.354	441.948	54.844	-	4.058.071
- Out	2.023.397	816.374	366.853	51.950	-	3.258.574
Interest rate derivatives:						
- Entry	7.419	2.797	8.606	9.179	2.324	30.325
- Out	6.906	2.331	8.336	12.600	1.438	31.611
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	223	1.785	558	837.236	-	839.802
- Out	-	11.100	44.001	818.424	-	873.525
Interest rate derivatives:						
- Entry	249	78	160	270	-	757
- Out	447	301	837	2.053	-	3.638
Total cash entry	2.542.816	1.031.014	451.272	901.529	2.324	4.928.955
Total cash out	2.030.750	830.106	420.027	885.027	1.438	4.167.348

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(Continued)**

IX. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO:

Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 31 December 2017, the leverage ratio of the Group calculated from the arithmetic average of the three months is 5,38% (31 December 2016: 5,61%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet and off-balance sheet assets.

Disclosure of Leverage ratio template :

	31 December 2017 (*)	31 December 2016 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	18.786.108	14.403.079
(Assets deducted from Core capital)	61.414	62.384
Total risk amount of balance sheet assets	18.724.694	14.340.695
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	352.414	212.479
Potential credit risk amount of derivative financial assets and credit derivatives	112.968	82.983
Total risk amount of derivative financial assets and credit derivatives	465.382	295.462
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.120.668	3.071.949
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.120.668	3.071.949
Capital and total risk		
Core Capital	1.200.996	994.248
Total risk amount	22.310.744	17.708.106
Leverage ratio		
Leverage ratio	5,38%	5,61%

(*) The arithmetic average of the last 3 months in the related periods

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

X. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 December 2017, The Group applies cash flow hedge accounting using interest swaps to hedge its FC deposits and other liabilities with an average maturity upto 3 months against interest rate fluctuations. The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

The swaps, of which carrying amount is TL 269.300 derivative financial assets (31 December 2016: TL 184.186) and TL 53.975 derivative financial liabilities (31 December 2016: TL 29.486), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 18.341 (31 December 2016: TL 12.699 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2016: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	262.713	50.815	36.993	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	6.587	3.160	3.263	-

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TAS 39, the accounting application is ended. In case of deterioration of efficiency, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2016: None).

It is determined in the measurements carried out as of the date of 31 December 2017 that above mentioned cash flow hedging transactions are effective.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

**XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND
LIABILITIES AT THEIR FAIR VALUES:**

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank's current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities.

The following table summarises the book values and fair values of some financial assets and liabilities of the Bank.

	Book Value		Fair Value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Financial Assets	13.914.286	11.787.602	16.285.244	13.124.536
Due from Money Market	11.000	17.110	11.000	17.110
Due from Banks	168.729	338.108	168.729	338.107
Available-for-Sale Financial Assets	276.595	539.155	276.595	539.155
Held-to-maturity Investments	171.218	161.607	171.897	162.239
Loans	13.286.744	10.731.622	15.657.023	12.067.925
Financial Liabilities	16.449.722	13.060.986	16.686.051	13.061.287
Bank Deposits	93.489	56.795	93.480	56.795
Other Deposits	8.778.982	8.191.874	8.792.759	8.199.810
Borrowings	7.223.344	4.503.586	7.445.905	4.495.951
Marketable Securities Issued	-	49.288	-	49.288
Miscellaneous Payables	353.907	259.443	353.907	259.443

b. Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows:

- Quoted market prices (non-adjusted) (1st level)
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- Data not based on observable data regarding assets or liabilities (3rd level)

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE
GROUP (Continued)**

**XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND
LIABILITIES AT THEIR FAIR VALUES (Continued):**

b. Fair value hierarchy (Continued):

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

31 December 2017	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	5.543	309.614	-	315.157
Government Debt Securities	5.310	171.218	-	176.528
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	138.396	-	138.396
Other marketable securities	233	-	-	233
Available for Sale Financial Assets (*)	266.946	9.649	-	276.595
Share Certificates	-	8.929	-	8.929
Government Debt Securities	266.946	-	-	266.946
Other Marketable Securities	-	720	-	720
Hedging Derivative Financial Assets	-	269.300	-	269.300
Total Assets	272.489	588.563	-	861.052
Trading Derivative Financial Liabilities	-	160.778	-	160.778
Hedging Derivative Financial Liabilities	-	53.975	-	53.975
Total Liabilities	-	214.753	-	214.753

31 December 2016	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	31.898	265.912	-	297.810
Government Debt Securities	27.960	161.507	-	189.567
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	104.305	-	104.305
Other Marketable Securities	3.938	-	-	3.938
Available for Sale Financial Assets (*)	450.927	88.228	-	539.155
Share Certificates	-	11.568	-	11.568
Government Debt Securities	450.927	-	-	450.927
Other Marketable Securities	-	76.660	-	76.660
Hedging Derivative Financial Assets	-	184.186	-	184.186
Total Assets	482.825	538.326	-	1.021.151
Trading Derivative Financial Liabilities	-	150.839	-	150.839
Hedging Derivative Financial Liabilities	-	29.486	-	29.486
Total Liabilities	-	180.325	-	180.325

(*)As noted in the footnote VII-d, written down values of available for sale securities are reported if the such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason. There is not any transfer between 1st and 2nd levels in the current year.

**XII. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF
OTHER PARTIES:**

Bank carries out marketable security trading and custody services on behalf of customers and on their account. The details of items held in custody is given in off-balance sheet commitments.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

XIII. EXPLANATIONS ON OPERATING SEGMENTS:

The Parent Bank manages its banking operations through three main business units; Retail banking, corporate, commercial and SME banking and treasury.

Retail banking provides products and services to individual and private customers. Products and services include primarily deposit, loan, credit card, automatic payment services, internet banking and other various banking services.

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade products, non-cash loans, foreign currency transaction services and other corporate banking services to small, medium and large sized corporate clients.

Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

Stated balance sheet and income statement items based on operating segments:

Prior period financial information is presented as at 31 December 2016 for balance sheet and income statements items.

	Retail Banking	Corporate, Commercial and SME Banking	Treasury	Other and Unclassified(*)	Total Operations of the Bank
31 December 2017					
Net Interest Income	66.484	345.894	30.387	69.107	511.872
Net Fees and Comissions	5.834	25.182	-	9.707	40.723
Commercial Profit/Loss	7.850	18.635	(9.037)	167	17.615
Other Operating Income	2.748	10.823	-	15.062	28.633
Operating Income	82.916	400.534	21.350	94.043	598.843
Operating Costs (-)	68.023	216.889	25.850	140.195	450.957
Net Operating Income	14.893	183.645	(4.500)	(46.152)	147.886
Dividend Income	-	-	-	330	330
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	14.893	183.645	(4.500)	(45.822)	148.216
Tax Provisions (-)	2.978	36.729	(900)	(439)	38.368
Net Profit / Loss	11.915	146.916	(3.600)	(45.383)	109.848
Segment Assets	1.320.669	13.068.773	1.885.589	2.226.054	18.501.085
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	253.613	253.613
Total Assets	1.320.669	13.068.773	1.885.589	2.479.667	18.754.698
Segments Liabilities	5.749.776	3.020.524	5.875.421	2.596.502	17.242.223
Unallocated Liabilities	-	-	-	1.512.475	1.512.475
Total Liabilities	5.749.776	3.020.524	5.875.421	4.108.977	18.754.698

(*) Other operates include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partner Burgan Wealth Limited Dubai.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

		Corporate, Commercial and SME Banking	Treasury	Other and Unclassified (*)	Total Operations of the Bank
31 December 2016	Retail Banking				
Net Interest Income	40.263	286.380	41.131	52.419	420.193
Net Fees and Comissions	3.969	19.211	-	16.933	40.113
Commercial Profit/Loss	9.136	11.941	1.595	1.876	24.548
Other Operating Income	1.585	7.300	-	10.591	19.476
Operating Income	54.953	324.832	42.726	81.819	504.330
Operating Costs (-)	40.273	182.055	12.870	172.020	407.218
Net Operating Income	14.680	142.777	29.856	(90.201)	97.112
Dividend Income	-	-	-	627	627
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	14.680	142.777	29.856	(89.574)	97.739
Tax Provisions (-)	2.936	28.555	5.971	(11.396)	26.066
Net Profit / Loss	11.744	114.222	23.885	(78.178)	71.673
31 December 2016					
Segment Assets	691.560	10.724.366	1.811.177	1.609.700	14.836.803
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	257.342	257.342
Total Assets	691.560	10.724.366	1.811.177	1.867.042	15.094.145
Segments Liabilities	4.950.035	3.336.482	3.858.095	1.609.702	13.754.314
Unallocated Liabilities	-	-	-	1.339.831	1.339.831
Total Liabilities	4.950.035	3.336.482	3.858.095	2.949.533	15.094.145

(*)Other operates include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS:

a. Information related to cash and the account of The Central Bank of the Republic of Turkey (the "CBRT"):

1. Information on cash and the account of the CBRT:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign currency	12.427	39.651	11.498	15.353
CBRT	1.022.011	953.251	149.757	1.142.258
Other	-	-	-	-
Total	1.034.438	992.902	161.255	1.157.611

2. Information on the account of the CBRT:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount	955.529	6.766	149.757	224.976
Time Unrestricted Amount	66.482	-	-	-
Time Restricted Amount	-	946.485	-	917.282
Total	1.022.011	953.251	149.757	1.142.258

3. Information on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 December 2017 (31 December 2016: 4% and 10,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2017 (31 December 2016: 4% and 24% for all foreign currency liabilities).

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

b. Information on financial assets at fair value through profit or loss:

- As of 31 December 2017, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2016: None).
- Positive differences related to trading derivative financial assets:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	23.695	9.926	14.659	1.638
Swap Transactions	43.395	33.376	38.974	28.761
Futures Transactions	-	-	-	-
Options	1.722	26.282	588	19.685
Other	-	-	-	-
Total	68.812	69.584	54.221	50.084

c. Information on banks:

- Information on banks:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	167	13.140	95.191	226.529
Foreign	9	155.413	25	16.363
Headquarters and Branches Abroad	-	-	-	-
Total	176	168.553	95.216	242.892

- Information on foreign banks

	Restricted Amount		Unrestricted Amount	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
EU Countries	11.626	10.853	-	-
USA, Canada	7.932	4.829	-	-
OECD Countries (*)	3.608	470	-	-
Off-shore Banking Regions	-	-	-	-
Others	132.256	236	-	-
Total	155.422	16.388	-	-

(*) OECD countries except EU countries, USA and Canada.

d. Information on available-for-sale financial assets:

- Characteristics and carrying values of available-for-sale financial assets given as collateral:
As of 31 December 2017, there are TL 54.280 available-for-sale financial assets given as collateral/blocked (31 December 2016: TL 29.408) and those subject to repurchase agreements amounts to TL 115.358 (31 December 2016: TL 314.305).
- Information on available-for-sale financial assets:

	31 December 2017	31 December 2016
Debt Securities	269.957	515.136
Quoted on Stock Exchange	269.957	515.136
Not Quoted	-	-
Share Certificates	8.929	30.410
Quoted on Stock Exchange	-	19.748
Not Quoted	8.929	10.662
Impairment Provision (-)	2.291	6.391
Total	276.595	539.155

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Group :

	31 December 2017		31 December 2016	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	-	-	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	-	-	-	-
Loans Granted To Employees	4.660	-	6.288	-
Total	4.660	-	6.288	-

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled and other receivables :

i.

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Restructured or Rescheduled		Loans and Other Receivables (Total)	Restructured or Rescheduled	
		Loans with Restructured Payment Plans	Other		Loans with Restructured Payment Plans	Other
Non-Specialised Loans	12.032.227	4.102	-	1.078.938	273.220	315
Loans Given to Enterprises	-	-	-	785	-	-
Export Loans	834.958	-	-	98.599	1.695	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	569.218	-	-	-	-	-
Consumer Loans	534.344	4.102	-	33.465	1.635	-
Credit Cards	6.407	-	-	520	0	-
Other (*)	10.087.300	-	-	945.569	269.890	315
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	12.032.227	4.102	-	1.078.938	273.220	315

(*) The Group also has factoring receivables amounting to TL 6 under the Other account.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	4.102	273.220
3,4 or 5 times	-	-
Over 5 times	-	-
Total	-	-

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	17	232.124
6 Months – 12 Months	-	-
1-2 Years	4.085	1.624
2-5 Years	-	-
5 Years and Over	-	39.472
Total	4.102	273.220

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	2.619.477	17	122.241	10.370
Non-specialised Loans	2.619.477	17	122.241	10.370
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	9.408.648	4.085	683.162	263.165
Non-specialised Loans	9.408.648	4.085	683.162	263.165
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
TOTAL	12.028.125	4.102	805.403	273.535

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	20.868	532.600	553.468
Real estate loans	-	98.165	98.165
Automotive loans	167	16.761	16.928
Consumer loans	20.701	417.674	438.375
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	4.650	4.650
Real estate loans	-	4.272	4.272
Automotive loans	-	-	-
Consumer loans	-	378	378
Other	-	-	-
Individual Credit Cards-TL	3.674	-	3.674
With installments	-	-	-
Without installments	3.674	-	3.674
Individual Credit Cards- FC	171	-	171
With installments	-	-	-
Without installments	171	-	171
Personnel Loans-TL	306	3.550	3.856
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	306	3.550	3.856
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	780	-	780
With installments	-	-	-
Without installments	780	-	780
Personnel Credit Cards-FC	24	-	24
With installments	-	-	-
Without installments	24	-	24
Credit Deposit Account-TL (Real Person)	5.835	-	5.835
Credit Deposit Account-FC (Real Person)	-	-	-
Total	31.658	540.800	572.458

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

5. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	61.407	1.855.103	1.916.510
Real estate loans	-	-	-
Automotive loans	28	9.057	9.085
Consumer loans	61.379	1.846.046	1.907.425
Other	-	-	-
Commercial Installments Loans-FC Indexed	6.216	531.067	537.283
Real estate loans	-	-	-
Automotive loans	9	4.915	4.924
Consumer loans	6.207	526.152	532.359
Other	-	-	-
Commercial Installments Loans-FC	-	4.035.968	4.035.968
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	4.035.968	4.035.968
Other	-	-	-
Corporate Credit Cards-TL	2.217	-	2.217
With installment	-	-	-
Without installment	2.217	-	2.217
Corporate Credit Cards-FC	61	-	61
With installment	-	-	-
Without installment	61	-	61
Credit Deposit Account-TL (Legal Person)	18.043	-	18.043
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	87.944	6.422.138	6.510.082

6. Loans according to types of borrowers:

	31 December 2017	31 December 2016
Public	-	-
Private	13.111.165	10.598.961
Total	13.111.165	10.598.961

7. Distribution of domestic and foreign loans:

	31 December 2017	31 December 2016
Domestic Loans	13.111.165	10.598.961
Foreign Loans	-	-
Total	13.111.165	10.598.961

8. Loans given to investments in associates and subsidiaries:

None (31 December 2016: None).

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

9. Specific provisions provided against loans:

	31 December 2017	31 December 2016
Loans and Other Receivables with Limited Collectability	4.648	14.218
Loans and Other Receivables with Doubtful Collectability	14.810	18.576
Uncollectible Loans and Other Receivables	199.815	112.580
Total	219.273	145.374

10. Information on non-performing loans (Net):

i. Information on loans and other receivables that are restructured or rescheduled by the Parent Bank:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2017			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	6.069
31 December 2016			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	233	707	7.204

ii. Information on the movement of total non-performing loans:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period End Balance	55.502	45.693	176.840
Additions (+)	148.800	19.649	14.506
Transfers from Other Categories of Non-performing Loans (+)	-	105.843	109.630
Transfers to Other Categories of Non-performing Loans (-)	111.275	104.198	-
Collections (-)	26.216	10.511	29.411
Write-offs (-)(*)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period	66.811	56.476	271.565
Specific Provision (-)	4.648	14.810	199.815
Net Balance on Balance Sheet	62.163	41.666	71.750

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

iii. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2017			
Period-End Balance	3.404	14.867	91.901
Specific Provision (-)	443	3.946	75.078
Net Balance on balance sheet	2.961	10.921	16.823
31 December 2016			
Period-End Balance	33.402	16.331	45.129
Specific Provision (-)	11.302	8.096	27.096
Net Balance on balance sheet	22.100	8.235	18.033

iv. Information on non-performing loans based on types of borrowers:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	62.163	41.666	71.750
Loans Given to Real Persons and Legal Persons (Gross)	66.345	50.910	228.406
Specific Provision Amount (-)	4.554	12.027	165.724
Loans Given to Real Persons and Legal Persons (Net)	61.791	38.883	62.682
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	466	5.566	43.159
Specific Provision Amount (-)	94	2.783	34.091
Other Loans and Receivables (Net)	372	2.783	9.068
Prior Period (Net)	41.284	27.117	64.260
Loans Given to Real Persons and Legal Persons (Gross)	44.301	43.815	143.101
Specific Provision Amount (-)	12.293	17.709	89.416
Loans Given to Real Persons and Legal Persons (Net)	32.008	26.106	53.685
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	11.201	1.878	33.739
Specific Provision Amount (-)	1.925	867	23.164
Other Loans and Receivables (Net)	9.276	1.011	10.575

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

11. Policy followed-up for the collection of uncollectible loans and other receivables::

The Bank aims to collect uncollectible loans and other receivables through the liquidation of collaterals by legal procedures.

12. Explanations on the write-off policy:

The write off transactions from the Bank's assets are performed in accordance with the regulation.

f. Information on held-to-maturity investments :

1. Information on held-to-maturity financial assets subject to repurchase agreements:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	171.218	-	161.607
Other	-	-	-	-
Total	-	171.218	-	161.607

2. Information on held-to-maturity financial assets given as collateral/blocked:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

3. Information on government debt securities held-to-maturity:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Government Bond	171.218	-	161.607	-
Treasury Bond	-	-	-	-
Other Public Debt Securities	-	-	-	-
Total	171.218	-	161.607	-

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

f. Information on held-to-maturity investments (Continued) :

4. Information on investment securities held-to-maturity :

	31 December 2017	31 December 2016
Debt securities	171.218	161.607
Publicly-traded	171.218	161.607
Not publicly-traded	-	-
Provision for impairment	-	-
Total	171.218	161.607

5. Movement of held-to-maturity investments within the period :

	31 December 2017	31 December 2016
Opening balance	161.607	-
Foreign exchange differences in monetary assets	9.611	-
Purchases during the year	-	161.607
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	171.218	161.607

g. Information on investments in associates (Net):

None (31 December 2016: None).

h. Information on subsidiaries (Net):

1. Capital adequacy situation of major subsidiaries:

The Parent Bank does not need any capitals arising from subsidiaries who inserted capital adequacy standard ratio.

2. Information on unconsolidated subsidiaries:

None. (31 December 2016: None).

3. Main financial figures of the unconsolidated subsidiaries in order of the below table:

None. (31 December 2016: None).

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

h. Information on subsidiaries (Net) (Continued):

4. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage(%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary	Istanbul/Turkey	100,00	-
2	- Burgan Wealth Limited Dubai (*)	Istanbul/Turkey Dubai/ UAE	100,00	-

(*)According to the results the date of 30 June 2016 Burgan Portföy Yönetimi A.Ş. which is subsidiary of Burgan Yatırım Menkul Değerler A.Ş. two-thirds of the total capital and legal reserves were unrequited due to current and previous years losses. Through Board of Directors' decision dated 14 May 2016, company management has decided to pay off their funds and following that, company and its main partner Burgan Yatırım Menkul Değerler A.Ş. are merged. On the date of 17 May 2016, these decisions are notified in written to the Capital Market Board. On the date of 21 October 2016, by permission of the Capital Market Board, mutual funds which is founded by Burgan Portföy Yönetimi A.Ş. were liquidated on May 2,2017. On the date of 06 October 2017, the merger process of companies was completed.

5. Main financial figures of the consolidated subsidiaries in the order of the above table:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	2.184.521	199.726	12.413	147.756	-	34.559	23.293	-
2(*)	127.265	57.269	4.414	12.467	3.047	(17.391)	(18.267)	-

(*)The consolidated values of Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Limited Dubai.

6. Movement schedules of subsidiaries:

	31 December 2017	31 December 2016
Balance at the beginning of the Period	237.171	228.722
Movements during the Period	19.801	8.449
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase (*)	19.801	8.449
Impairment Provision	-	-
Balance at the end of the Period	256.972	237.171
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	99,99%	99,99%

(*) Includes the data before consolidation procedures.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

7. Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

Subsidiaries	31 December 2017	31 December 2016
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	206.686	172.512
Finance Companies	-	-
Other Financial Subsidiaries	50.286	64.659
Total	256.972	237.171

8. Subsidiaries quoted on stock exchange:

None (31 December 2016: None).

i. Information on joint ventures:

None (31 December 2016: None).

j. Information on lease receivables (net):

Presentation of financial lease receivables based on their days to maturity:

	31 December 2017		31 December 2016	
	Gross	Net	Gross	Net
Less than 1 year	676.982	533.839	453.228	360.948
Between 1-4 years	1.418.184	1.162.344	876.923	750.732
More than 4 years	313.922	275.695	215.284	198.044
Total	2.409.088	1.971.878	1.545.435	1.309.724

k. Information on hedging derivative financial assets:

	31 December 2017		31 December 2016	
	TP	FC	TP	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	257.159	12.141	176.246	7.940
Foreign Net Investment Hedge	-	-	-	-
Total	257.159	12.141	176.246	7.940

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

I. Information on investment property:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2015				
Cost	24.541	277	80.153	104.971
Accumulated depreciation (-)	2.541	177	38.673	41.391
Net book value	22.000	100	41.480	63.580
31 December 2016				
Net book value at beginning of the period	22.000	100	41.480	63.580
Additions	-	9.298	11.099	20.397
Disposals (-) (net)	-	100	122	222
Impairment (-)	-	-	-	-
Depreciation (-)	456	622	9.777	10.855
Revaluation Increase	1.256	-	-	1.256
Cost at Period End	25.797	9.298	85.392	120.487
Accumulated Depreciation at Period End (-)	2.997	622	42.712	46.331
Closing Net Book Value at Period End	22.800	8.676	42.680	74.156

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2016				
Cost	25.797	9.298	85.392	120.487
Accumulated depreciation (-)	2.997	622	42.712	46.331
Net book value	22.800	8.676	42.680	74.156
31 December 2017				
Net book value at beginning of the period	22.800	8.676	42.680	74.156
Additions	-	14.143	7.185	21.328
Disposals (-), net	-	10.064	779	10.843
Impairment (-)	-	-	-	-
Depreciation (-)	450	1.388	10.853	12.691
Revaluation Increase	150	-	-	150
Cost at Period End	25.947	12.853	86.325	125.125
Accumulated Depreciation at Period End (-)	3.447	1.486	48.092	53.025
Closing Net Book Value at Period End	22.500	11.367	38.233	72.100

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

m. Information on intangible assets:

1. Book value and accumulated depreciation at the beginning and at the end of the period:

	31 December 2017	31 December 2016
Gross Book Value	95.408	86.868
Accumulated Depreciation (-)	(48.100)	(37.344)
Net Book Value	47.308	49.524

2. Information on movements between the beginning and end of the period:

	31 December 2017	31 December 2016
Beginning of the Period	49.524	45.737
Internally Generated Amounts		
Additions due to Mergers, Transfers and Acquisitions	8.452	13.034
Disposals	-	(22)
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	(10.668)	(9.225)
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	47.308	49.524

n. Information on investment property:

None (31 December 2016: None).

o. Information on deferred tax asset:

As of 31 December 2017, the Group has netted-off the calculated deferred tax asset of TL 34.676 (31 December 2016: TL 27.905) and deferred tax liability of TL 54.058 (31 December 2016: TL 33.411) on the basis of company in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 14.099 and deferred tax liability of TL 33.481 (31 December 2016: TL 8.290 net deferred tax asset and TL 13.796 net deferred tax liability) in the financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued):

p. Information on assets held for resale and discontinued operations:

The Group has assets held for resale amounting to TL 45.095 (31 December 2016: TL 45.511) and has no discontinued operations.

	31 December 2017	31 December 2016
Prior Period:		
Cost	46.342	7.206
Accumulated Depreciation (-)	831	511
Net Book Value	45.511	6.695
Current Period		
Net book value at beginning of the period	45.511	6.695
Additions	13.340	41.413
Disposals (-) , net	13.313	2.131
Impairment (-)	397	49
Depreciation (-)	46	417
Cost	45.662	46.342
Accumulated Depreciation (-)	567	831
Closing Net Book Value	45.095	45.511

r. Information on other assets:

As of 31 December 2017, other assets amount to TL 242.423 (31 December 2016: TL 177.863) and does not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 December 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months - 6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.527	-	225.597	2.333.196	100.087	78.556	76.825	2.845.788
Foreign Currency Deposits	178.981	-	364.155	3.662.979	900.151	156.529	27.762	5.290.557
Residents in Turkey	165.575	-	343.962	3.625.377	887.658	155.010	24.659	5.202.241
Residents Abroad	13.406	-	20.193	37.602	12.493	1.519	3.103	88.316
Public Sector Deposits	5.699	-	-	-	-	-	-	5.699
Commercial Deposits	98.518	-	40.860	168.917	19.354	23.409	206.176	557.234
Other Institutions Deposits	5.582	-	1.039	38.819	2.097	21.205	10.962	79.704
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits	6.643	-	86.846	-	-	-	-	93.489
The CBRT	-	-	65.720	-	-	-	-	65.720
Domestic Banks	120	-	21.126	-	-	-	-	21.246
Foreign Banks	6.523	-	-	-	-	-	-	6.523
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	326.950	-	718.497	6.203.911	1.021.689	279.699	321.725	8.872.471

ii. 31 December 2016:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months - 6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.555	-	147.467	1.700.052	141.681	24.122	54.300	2.099.177
Foreign Currency Deposits	347.743	-	171.874	4.002.789	637.320	158.834	77.070	5.395.630
Residents in Turkey	295.967	-	171.424	3.940.283	628.322	156.889	23.584	5.216.469
Residents Abroad	51.776	-	450	62.506	8.998	1.945	53.486	179.161
Public Sector Deposits	5.453	-	-	1.030	-	-	-	6.483
Commercial Deposits	68.310	-	90.563	321.628	54.162	2.369	1.426	538.458
Other Institutions Deposits	1.487	-	6.579	120.097	12.294	142	11.527	152.126
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits	6.772	-	50.023	-	-	-	-	56.795
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	78	-	50.023	-	-	-	-	50.101
Foreign Banks	6.694	-	-	-	-	-	-	6.694
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	461.320	-	466.506	6.145.596	845.457	185.467	144.323	8.248.669

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

a. Information on deposits (Continued):

2. Information on saving deposits insurance:

i. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Saving Deposits				
Saving Deposits	696.957	568.395	2.148.831	1.530.782
Foreign Currency Savings Deposit	244.679	198.348	2.688.262	2.622.810
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Total	941.636	766.743	4.837.093	4.153.592

ii. There are no deposits covered under foreign authorities' insurance since the Parent Bank is incorporated in Turkey.

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	31 December 2017	31 December 2016
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	23.562	25.687
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 "TCK" Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
Total	23.562	25.687

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

b. Information on trading derivative financial liabilities:

Schedule of negative differences concerning trading derivative financial liabilities:

Trading Derivative Financial Liabilities	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	18.993	2.876	26.467	5.586
Swap Agreements	51.286	60.576	87.835	11.976
Futures Transactions	-	-	-	-
Options	307	26.740	482	18.493
Other	-	-	-	-
Total	70.586	90.192	114.784	36.055

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	115.370	296.886	28.601	349.959
From Foreign Banks, Institutions and Funds	90.435	5.580.071	69.972	2.997.576
Total	205.805	5.876.957	98.573	3.347.535

2. Information on maturity structure of borrowings:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	205.805	733.471	98.573	662.124
Medium and Long-term	-	5.143.486	-	2.685.411
Total	205.805	5.876.957	98.573	3.347.535

3. Additional information on the major concentration of the Group's liabilities:

The Group's main funding sources are deposits and borrowings. As of 31 December 2017, deposits and borrowings from Group's risk group comprise 0,4% (31 December 2016: 0,4%) of total deposits. Besides this, borrowings from Group's risk group comprise 52,2% (31 December 2016: 43,1%) of subordinated and other borrowings.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

d. Information on marketable securities issued:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Bills	-	-	49.288	-
Bonds	-	-	-	-
Asset guaranteed securities	-	-	-	-
Total	-	-	49.288	-

e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 53.867 (31 December 2016: TL 67.278) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

f. Information on lease payables (net):

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which place significant commitments on the Group.

g. Information on hedging derivative financial liabilities:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Hedging Fair Value Risk	-	-	-	-
Hedging Cash Flow Risk	40.807	13.168	27.528	1.958
Hedging Net Investment In Foreign Operations	-	-	-	-
Total	40.807	13.168	27.528	1.958

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

h. Information on provisions:

1. Information on general provisions:

	31 December 2017	31 December 2016
General Provisions	107.566	90.245
Provisions for First Group Loans and Receivables	94.018	80.121
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Second Group Loans and Receivables	10.911	7.692
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Non-Cash Loans	2.166	1.913
Other	471	519

2. Information on reserve for employment termination benefits:

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

As of the date of 1 July 2017, the payment amount which is one month's salary for each working year is restricted to TL 4.732,48 (31 December 2016: TL 4.297,21). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Group. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	31 December 2017	31 December 2016
Discount rate (%)	3,26	3,15
Salary increase rate (%)	8,50	9,00
Average remaining work period (Year)	11,00	11,43

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

Movement of reserve for employment termination benefits during the period:

	31 December 2017	31 December 2016
As of January 1	10.499	9.934
Service cost	2.336	2.123
Interest cost	1.056	1.022
Settlement cost	936	1.034
Actuarial loss/gain	763	(226)
Benefits paid (-)	3.112	3.388
Total	12.478	10.499

In addition, as of 31 December 2017 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 24.035 (31 December 2016: TL 19.059).

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2017	31 December 2016
Provisions for potential risks (*)	40.555	26.784
Total	40.555	26.784

(*) Provisions for the Bank's potential risks in credit portfolio.

ii. Information on other provisions:

The Group set aside under other provisions amounting to TL 8.864 (31 December 2016: TL 8.445) for lawsuits, TL 2.389 (31 December 2016: TL 2.038) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 1.911 (31 December 2016: TL 1.301) for customer cheques commitments, TL 33 (31 December 2016: TL 143) for credit card loyalty points and TL 236 (31 December 2016: TL 220) for other receivables.

4. Information on provisions related with foreign currency difference of foreign indexed loans:

As of 31 December 2017, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 1.407 (31 December 2016: TL 14) and is netted from the loan amount in the financial statements.

i. Information on taxes payable:

1. Information on tax provision:

As of 31 December 2017, after the prepaid tax amount is netted off, the corporate tax provision of the Bank is TL 11.300 (31 December 2016: TL 236).

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

2. Information on taxes payable:

	31 December 2017	31 December 2016
Corporate Tax Payable	11.300	236
Taxation of Marketable Securities	8.567	9.327
Property Tax	104	137
Banking Insurance Transaction Tax	6.517	6.129
Value Added Tax Payable	585	404
Other	3.090	3.114
Total	30.163	19.347

3. Information on premium payables:

	31 December 2017	31 December 2016
Social Security Premiums-Employee	2.254	2.090
Social Security Premiums-Employer	3.036	2.577
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	151	135
Unemployment Insurance-Employer	300	271
Other	213	-
Total	5.954	5.073

4. As of 31 December 2017, the Group has netted-off the calculated deferred tax asset of TL 34.676 (31 December 2016: TL 27.905) and deferred tax liability of TL 54.058 (31 December 2016: TL 33.411) in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 14.099 and deferred tax liability of TL 33.481 (31 December 2016: TL 8.290 deferred tax asset, TL 13.796 deferred tax liability) in the financial statements.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

As of 31 December 2017 and 31 December 2016, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Carried Financial Loss (*)	8.732	18.160	1.746	3.632
Provision for Legal Cases	8.864	8.445	1.912	1.689
Provisions for Possible Risks	40.555	26.784	8.922	5.357
Reserve for Employee Rights	21.749	17.919	4.775	3.584
Other Provisions	36.968	25.860	8.133	5.172
Valuation difference of derivative financial instruments	5.049	-	1.110	-
Unearned Revenue	24.015	21.231	5.283	4.246
Other	12.735	21.124	2.795	4.225
Deferred Tax Assets	158.667	139.523	34.676	27.905
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	29.627	30.748	4.257	6.150
Valuation Differences of Derivative Instruments	216.678	127.710	47.670	25.542
Other	9.688	8.595	2.131	1.719
Deferred Tax Liabilities	255.993	167.053	54.058	33.411
Deferred Tax Assets / (Liabilities) (Net)	(97.326)	(27.530)	(19.382)	(5.506)

(*) Burgan Yatırım Menkul Değerler A.Ş.'s financial losses carried forward amounting to TL 6.200 is usable in the corporate tax calculations until 2020 and TL 2.532 until 2021.

Movement of deferred tax asset/ liabilities is presented below:

	31 December 2017	31 December 2016
Balance as of 1 January	(5.506)	9.296
Current year deferred tax income/(expense) (net)	(8.896)	(12.958)
Deferred tax charged to equity (net)	(4.980)	(1.844)
Balance at the End of the Period	(19.382)	(5.506)

j. Information on payables for assets held for resale and discontinued operations:

None (31 December 2016: None).

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

k. Information on subordinated loans:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	06 December 2013	04 December 2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	30 March 2016	30 March 2026	LIBOR+3,75

The subordinated loan does not have the option to be converted into stock certificate.

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.140.582	-	1.057.478
Other Foreign	-	-	-	-
Total	-	1.140.582	-	1.057.478

l. Information on shareholders' equity:

1. Presentation of paid-in capital:

	31 December 2017	31 December 2016
Common Stock	1.185.000	900.000
Preferred Stock	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.000.000

3. Information on the share capital increases during the period and their sources:

Capital Increase Date	Capital Increase Amount	Cash	Profit Reserves Related to Capital Increase	Capital Reserves Related to Capital Increase
31.12.2017	285.000	285.000	-	-

4. Information on capital increases from capital reserves during the current period:

None.

5. Information on capital commitments, up until the end of the fiscal year and the subsequent period:

None.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued):**

I. Information on shareholders' equity (Continued):

6. Information on capital by considering the Parent Bank's profitability, prior period indicators on liquidity and uncertainty on these indicators:

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

8. Information on marketable securities valuation reserve:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(2.366)	(143)	(872)	(6.999)
Foreign Currency Translation Difference	-	-	-	-
Total	(2.366)	(143)	(872)	(6.999)

9. Information on tangible assets revaluation reserve:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	18.075	-	16.127	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	-	-	-	-
Total	18.075	-	16.127	-

10. Information on distribution of prior year's profit:

The profit of 2016 which is TL 71.673 is not distributed and it is classified as legal and extraordinary reserves.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS**

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 December 2017	31 December 2016
Commitments for cheques	334.480	302.867
Foreign currency buy/sell commitments	191.967	576.525
Loan limit commitments	109.606	105.005
Commitments for credit card limits	18.445	17.475
Capital Commitments for subsidiaries	14.997	14.997
Promotions for the credit cards and their care services	8	14
Forward securities commitments	-	618
Total	669.503	1.017.501

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments".

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 December 2017	31 December 2016
Letter of guarantees	1.740.052	1.584.427
Letter of credits	234.673	256.635
Bank acceptance loans	107.766	130.717
Other guarantees	36.130	10.429
Factoring guarantees	28	28
Total	2.118.649	1.982.236

ii. Revocable, irrevocable guarantees, contingencies and other similar guarantees:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Irrevocable letters of guarantee	643.291	396.530	612.453	389.228
Revocable letters of guarantee	29.024	70.284	18.689	58.023
Guarantees given to customs	56.429	26.916	73.964	33.691
Letters of guarantee given in advance	7.571	157.427	9.089	161.826
Other letters of guarantee	19.740	332.840	16.724	210.740
Total	756.055	983.997	730.919	853.508

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS (Continued):**

a. Information on off balance sheet commitments (Continued):

3. i. Total amount of non-cash loans:

	31 December 2017	31 December 2016
Non-cash loans given against cash loans	378.095	229.648
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	378.095	229.648
Other non-cash loans	1.740.554	1.752.588
Total	2.118.649	1.982.236

ii. Information on sectoral concentration of non-cash loans:

	31 December 2017				31 December 2016			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	2.135	0,28	11.845	0,87	1.001	0,14	8.235	0,66
Farming and Livestock	1.906	0,25	11.845	0,87	772	0,11	8.235	0,66
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,03	-	-	229	0,03	-	-
Manufacturing	185.436	24,42	730.196	53,73	253.533	34,51	593.507	47,57
Mining	64.056	8,43	126.684	9,32	103.731	14,12	128.295	10,28
Production	114.920	15,13	597.806	43,98	141.345	19,24	461.962	37,03
Electric, Gas, Water	6.460	0,85	5.706	0,42	8.457	1,15	3.250	0,26
Construction	156.492	20,60	362.735	26,69	213.385	29,04	372.048	29,82
Services	336.805	44,34	205.034	15,09	250.629	34,11	273.116	21,89
Wholesale and Retail Trade	65.451	8,62	43.200	3,18	86.510	11,77	76.906	6,16
Hotel and Food Services	7.598	1,00	19.458	1,43	9.255	1,26	21.858	1,75
Transportation and Telecommunication	26.452	3,48	4.980	0,37	22.856	3,11	12.418	1,00
Financial Institutions	219.187	28,86	63.844	4,70	109.858	14,95	135.025	10,82
Real Estate and Leasing Ser.	11.792	1,55	64.822	4,77	11.915	1,62	20.752	1,66
Professional Services	4.896	0,64	-	-	6.187	0,84	-	-
Education Services	106	0,01	1.698	0,12	66	0,01	951	0,08
Health and Social Services	1.323	0,17	7.032	0,52	3.982	0,54	5.206	0,42
Other	78.645	10,35	49.326	3,63	16.149	2,20	633	0,05
Total	759.513	100	1.359.136	100	734.697	100	1.247.539	100

iii. Information on non-cash loans classified in 1st and 2nd group:

	Group I		Group II	
Current Period (*)	TL	FC	TL	FC
Letters of Guarantee	733.210	960.640	15.387	22.904
Bank Acceptances	3.430	104.336	-	-
Letters of Credit	-	234.030	-	643
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	36.130	-	-
Total	736.668	1.335.136	15.387	23.547

(*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 7.911. As of 31 December 2017, the Group has recorded a TL 2.389 provision regarding these risks.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS (Continued):**

b. Information on derivative financial instruments:

	31 December 2017	31 December 2016
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	20.486.859	11.808.728
Currency forward transactions	1.902.175	1.016.154
Currency swap transactions	10.109.578	5.016.229
Futures transactions	-	-
Options	8.475.106	5.776.345
Interest related derivative transactions (II)	7.859.550	6.278.116
Forward rate agreements	-	-
Interest rate swaps	7.859.550	6.278.116
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	-	2.220
A. Total trading derivative transactions (I+II+III)	28.346.409	18.089.064
Types of hedging transactions	4.602.364	2.703.500
Fair value hedges	-	-
Cash flow hedges	4.602.364	2.703.500
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	4.602.364	2.703.500
Total derivative transactions (A+B)	32.948.773	20.792.564

c. Investment Funds:

By the permission of the Capital Markets Board dated 21 October 2016, 5 investment funds which belong to Burgan Portföy Yönetimi A.Ş have been liquidated at 2 May 2017.

d. Information on contingent assets and contingent liabilities:

As of 31 December 2017, the total amount of legal cases against the Group is TL 59.102 (31 December 2016: TL 46.548) and the Parent Bank sets aside a provision of TL 8.864 (31 December 2016: TL 8.445) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at "Denizli Tax Authority" and "Denizli Civil Court of General Jurisdiction" for cancellation of the payment order of TL 25.459, which was notified to the Parent Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Parent Bank. The cases are at the appeal phase. As a result, the Parent Bank did not book any provision.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS (Continued):**

e. Brief information on the Bank's rating given by International Rating Institutions:

FITCH (26 January 2018)

Outlook	Stable
Long Term FC	BBB-
Short Term FC	F3
Long Term TL	BBB-
Short Term TL	F3
Viability Note	b+
Support Rating	2
National Rating	AAA(tur)

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans :

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Interest Income on Loans(*)				
Short-term Loans	354.956	16.240	331.251	19.672
Medium/Long-term Loans	381.154	373.805	212.962	262.328
Interest on Loans Under Follow-up	4.056	-	5.176	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	740.166	390.045	549.389	282.000

(*) Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From the CBRT	11.842	-	-	-
From Domestic Banks	13.934	1.053	2.979	325
From Foreign Banks	-	60	-	17
Headquarters and Branches Abroad	-	-	-	-
Total	25.776	1.113	2.979	342

3. Information on marketable securities:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Trading Financial Assets	4.602	181	5.315	239
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	24.062	6.238	22.372	12.613
From Held-to-Maturity Investments	-	7.302	-	1.839
Total	28.664	13.721	27.687	14.691

4. Information on interest income received from investments in associates and subsidiaries:

None (31 December 2016: None).

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks	15.556	187.749	12.527	111.614
The CBRT	-	-	-	-
Domestic Banks	15.556	1.174	12.522	1.064
Foreign Banks	-	186.575	5	110.550
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	12.449	-	9.863
Total(*)	15.556	200.198	12.527	121.477

(*) Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries:

None (31 December 2016: None).

3. Information on interest expense on issued securities

	31 December 2017	31 December 2016
Interest expense on issued securities	1.436	10.383

4. Information on interest rate and maturity structure of deposits:

Current Period	Demand Deposit	Time Deposit						Total	Prior Period Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accum. Deposit		
TL									
Bank Deposits	-	4.312	-	-	-	-	-	4.312	479
Savings Deposits	4	19.849	234.594	10.220	3.928	6.832	-	275.427	207.610
Public Deposits	-	-	13	-	-	-	-	13	84
Commercial Deposits	-	8.636	41.951	3.967	3.864	16.384	-	74.802	61.517
Other Deposits	-	329	15.053	271	883	1.172	-	17.708	15.146
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Total	4	33.126	291.611	14.458	8.675	24.388	-	372.262	284.836
FC									
Foreign Currency Account	-	8.425	155.246	20.246	4.933	952	-	189.802	111.884
Bank Deposits	-	2.019	-	-	-	-	-	2.019	204
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	-	10.444	155.246	20.246	4.933	952	-	191.821	112.088
Sum Total	4	43.570	446.857	34.704	13.608	25.340	-	564.083	396.924

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

c. Information on dividend income:

	31 December 2017	31 December 2016
Trading Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	330	627
Other	-	-
Total	330	627

d. Information on trading loss/income (Net):

	31 December 2017	31 December 2016
Income	18.380.079	14.187.946
Capital Market Transactions	8.693	27.394
Derivative Financial Transactions	59.418	46.277
Foreign Exchange Gains	18.311.968	14.114.275
Loss (-)	18.362.464	14.163.398
Capital Market Transactions	5.380	19.415
Derivative Financial Transactions	40.295	33.672
Foreign Exchange Loss	18.316.789	14.110.311
Net Income/(Loss)	17.615	24.548

e. Information on other operating income:

As of 31 December 2017, the Group's other operating income is TL 28.633 (31 December 2016: TL 19.476). TL 5.362 (31 December 2016: TL 1.247) of the amount of the other operating income is composed of profit from sales of the fixed assets that were classified as "Asset Held for Resale" of the Parent Bank.

f. Provision expenses related to loans and other receivables:

	31 December 2017	31 December 2016
Specific Provisions for Loans and Other Receivables	71.601	73.815
III. Group Loans and Receivables	3.432	15.002
IV. Group Loans and Receivables	140	16.479
V. Group Loans and Receivables	68.029	42.334
General Provision Expenses	9.195	7.157
Provision Expense for Possible Risks	12.716	(4.242)
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-Maturity Investments	-	-
Other	-	-
Total	93.512	76.730

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

g. Information related to other operating expenses:

	31 December 2017	31 December 2016
Personnel Expenses	174.888	172.980
Reserve For Employee Termination Benefits (*)	5.466	4.567
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	1.141	-
Depreciation Expenses of Fixed Assets	12.691	10.855
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	10.668	9.225
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	397	49
Depreciation Expenses of Assets Held for Resale	46	417
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	120.014	104.368
Operational Lease Expenses	32.044	29.741
Maintenance Expenses	2.305	3.272
Advertising Expenses	1.164	1.224
Other Expense	84.501	70.131
Loss on Sales of Assets	512	298
Other	31.622	27.729
Total	357.445	330.488

(*) As of 31 December 2017, the employee vacation fee provision income is TL 1.203 (31 December 2016: TL 399).

h. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations. The Group's income before tax from continuing operations is TL 148.216 (31 December 2016: TL 97.739 income before tax).

i. Information on provision for taxes from discontinued and continuing operations:

The Group has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

As of 31 December 2017, the Group has current tax expense amounting to TL 29.472 and deferred tax expense amounting to TL 8.896.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

The Group has TL 21.876 deferred tax income from temporary differences, TL 1.887 deferred tax expense from carried financial loss, TL 27.109 deferred tax expense and income due to temporary differences closed to net TL 7.120 deferred tax expense.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

**i. Information on provision for taxes from discontinued and continuing operations
(Continued):**

3. Information on recognition of temporary difference, financial loss, diminution of tax and exceptions on income statement:

As of 31 December 2017, the Group has TL 5.233 deferred tax expense arising from temporary differences and TL 1.887 deferred tax income as a result of carried financial loss.

j. Information on net income/ (loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

k. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items' composition is necessary to understand the annual performance of Bank, the composition and amount of these items:

None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

None.

l. Information on other income and expenses:

1. In the current period, the Group's interest income amounts to TL 1.573.350 (31 December 2016: TL 1.246.480) and TL 216.401 (31 December 2016: TL 261.736) of the related amount is classified as "Other Interest Income" account in income statement.

	31 December 2017	31 December 2016
Other Interest Income		
Interest income related to derivative transactions	194.292	242.864
Other	22.109	18.872
Total	216.401	261.736

2. In the current period, the Group's interest expense amounting to TL 1.061.478 (31 December 2016: TL 826.287) and TL 261.445 (31 December 2016: TL 260.258) of the related amount is classified "Other Interest Expense" account in income statement.

	31 December 2017	31 December 2016
Other Interest Expense		
Interest expense related to derivative transactions	239.241	241.696
Other	22.204	18.562
Total	261.445	260.258

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
(Continued):**

3. In the current period, the Group's fee and commission income amounts to TL 50.381 (31 December 2016: TL 48.671) and TL 32.460 (31 December 2016: TL 34.294) of the related amount is classified under "Other" account.

	31 December 2017	31 December 2016
Other Fee and Commissions Received		
Insurance Commissions	8.197	3.301
Investment Consultancy Fees	6.938	3.277
Commissions from Credit Commissions	1.838	1.439
Transfer Commissions	817	1.040
Commissions From Brokerage Activity in Istanbul Stock Exchange	625	5.566
Credit Card and POS Transaction Commission	535	899
Commissions from Correspondent Banks	497	404
Commissions on Investment Fund Services	204	319
Ortak Nokta Commissions	106	99
Letter of Credit Commissions	9	12
Commissions From Brokerage Activity-Leveraged Trading	-	3.827
Commissions From Brokerage Activity in Turkish Derivative Exchange	-	4.952
Other	12.694	9.159
Total	32.460	34.294

4. In the current period, Group's fee and commission expense amounts to TL 10.108 (31 December 2016: TL 8.558) and TL 9.612 (31 December 2016: TL 7.953) of the related amount is classified under "Other" account.

	31 December 2017	31 December 2016
Other Fee and Commissions Given		
Credit Card Transaction Commission	2.384	3.037
Commissions Granted to Correspondent Banks	1.144	865
Stock Exchange Contribution Expenses	1.133	1.617
EFT Commissions	794	662
Ortak Nokta Clearing Commissions	413	415
Transfer Commissions	96	103
Other	3.648	1.254
Total	9.612	7.953

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

a. Information on change in the shareholder structure of the Bank:

There is no change in Parent Bank's partnership structure in 2017.

b. Information on distribution of profit:

According to the decision of the Parent Bank held at the Ordinary General Assembly Meeting held on 31 March 2016; While adapting TAS 27 Standard, the profit of 2016, TL 71.673 was not distributed, the amount was allocated as legal reserves and extraordinary reserves.

c. Information on capital increase:

The Parent Bank's registered capital ceiling is 2 billion TL. Following the Board of Directors' decisions dated 15 December 2017, 14 January 2018 and 21 February 2018 the Parent Bank has decided to increase its capital by receiving a partial capital payment amounting to 285 million TL from the Parent Bank's main associate, Burgan Bank K.P.S.C at 27 December 2017. This increase has been conducted under the registered capital ceiling and the amount has been transferred to the Parent Bank's accounts. The BRSA investigations and permissions regarding the payment have been completed, and the related amount has been reflected to the Parent Bank's financial statements as of 31 December 2017. The legal procedures regarding the rights of priority of other shareholders are still continuing. There is no change in the Shareholder structure of the Parent Bank other than the increase in capital.

d. Information on valuation differences of marketable securities:

Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Marketable securities valuation reserve" account under equity, until the financial assets are sold, disposed or impaired.

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(2.366)	(143)	(872)	(6.999)
Foreign Currency Difference	-	-	-	-
Total	(2.366)	(143)	(872)	(6.999)

e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.948 net of tax (31 December 2016: TL 1.005) is accounted under "Revaluation differences of tangible assets and intangible assets".

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalent assets:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

1. Cash and cash equivalents at the beginning of period:

	31 December 2017	31 December 2016
Cash	415.275	376.251
Cash, Foreign Currency and Other	26.850	26.414
Demand Deposits in Banks	388.425	349.837
Cash Equivalents	334.286	198.231
Interbank Money Market	16.690	22.195
Time Deposits in Bank	317.596	176.036
Total Cash and Cash Equivalents	749.561	574.482

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

2. Cash and cash equivalents at the end of the period:

	31 December 2017	31 December 2016
Cash	1.131.675	415.275
Cash, Foreign Currency and Other	52.078	26.850
Demand Deposits in Banks	1.079.597	388.425
Cash Equivalents	130.469	334.286
Interbank Money Market	11.000	16.690
Time Deposits in Bank	119.469	317.596
Total Cash and Cash Equivalents	1.262.144	749.561

b. Information on other items presented in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

"Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to negative TL 203.540 TL (31 December 2016: negative TL 285.492) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

"Net increase/decrease in liabilities" items presented in "Changes in operating assets and liabilities" amount to negative TL 129.922 (31 December 2016: positive TL 132.822) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2017, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately negative TL 13.202 (31 December 2016: positive TL 45.407).

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP

- a. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Prior period financial information is presented as at 31 December 2016 for the balance sheet and income statement items.

31 December 2017:

Groups' Risk Group Loans and Other Receivables	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	-	12.963	-	-	27	15.429
Interest and Commission Income Received	-	-	-	-	12	-

31 December 2016:

Groups' Risk Group Loans and Other Receivables	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Balance at the Beginning of the Period	-	23.519	-	219	89	8.753
Balance at the End of the Period	-	27.908	-	-	113	68.425
Interest and Commission Income Received	-	-	-	-	6	-

2. Information on deposits and repurchase transactions of the Group's risk group:

Groups' Risk Group Deposit	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning of the Period	-	-	5.656	6.184	26.005	17.841
End of the Period	-	-	6.357	5.656	24.791	26.005
Interest Expense on Deposits	-	-	-	-	1.581	1.238

Groups' Risk Group Repurchase Transactions	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Group's risk group:

Groups' Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for trading purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-
	-	-	-	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

b. With respect to the Group's risk group:

1. The relations with entities that are included in the Group's risk group and controlled by the Group:

The Group performs various transactions with related parties during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Share in Financial Statements (%)
Borrowings and Subordinated Loans	3.771.173	52,21
Banks and Other Financial Institutions	132.256	78,38
Deposit	31.148	0,35
Non-cash Loans	28.392	1,34
Loans	27	-

As of 31 December 2017, the Group has realized interest income from deposits given to banks included in the risk group amounting to TL 17 (31 December 2016: None), the Group has realized interest expense amounting to TL 135.437 (31 December 2016: TL 62.857) on loans borrowed from the banks included in the risk group.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP (Continued):

3. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Parent Bank's risk group and the amount composes 0,18% (31 December 2016: 0,76%) of the Group's total cash and non-cash loans.

As of 31 December 2017 there are no purchase-sales transactions on any assets including real-estate with the risk group consisting the Parent Bank.

As of 31 December 2017 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Parent Bank is included.

c. Information on benefits provided to top management:

Top management of the Group is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 20.740 (31 December 2016: TL 22.886) which include total gross salary, travel, meal, health, life insurance and other expenses.

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

- a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number			
Domestic Branch	43	978			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	Statutory share capital
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

- b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO GROUP'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The consolidated financial statements as of 31 December 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor's independent limited audit report dated 28 February 2018 has been presented prior to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

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Saraylar mah.Enverpasa Cad.
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Diyarbakır

İstasyon Cad. Or-Yıl Apt. No:1,
21100 Diyarbakır
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Eskişehir

Hacıali Bey Mah. Sakarya-1 Cad.
No:62/A Tepebaşı / Eskişehir
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Etiler Özel Bankacılık Merkezi

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Fax: (90) 212 287 23 64

Gaziantep

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Aksoy Bulv. Sever İş Mekz.
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Gaziantep
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Gebze

İstanbul Cad. Balaban Apt.
No:66 41400 Gebze / Kocaeli
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Güneşli

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Çivisöken Apartmanı Sit. No:1 C
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Fax: (90) 326 613 99 90

İstanbul Kurumsal

Maslak Mah. Eski Büyükdere
Caddesi No:13 İstanbul
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Fax: (90) 212 371 42 42

İzmir

Cumhuriyet Bulv. No. 140/1
35210 Alsancak / İzmir
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Fax: (90) 232 464 11 62

İzmit

Karabaş Mah. Ankara Karayolu
Cad. No:65/B İzmit / Kocaeli
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Fax: (90) 262 331 14 92

Kalamış

Fenerbahçe Mah. Ahmet
Mithatefendi Cad. No:18/A
Kadıköy / İstanbul
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Kayseri

Cumhuriyet Mah. Kışıkapı Cad.
No:22 Melikgazi / Kayseri
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Musalla Bağları Mah. Belh Cad.
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Eski Büyükdere Caddesi
Ayazağa Köy Yolu Güney Plaza
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Mersin

İstiklal Caddesi Aloğlu İş Merkezi
No:36 36060 Mersin
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Nilüfer

23 Nisan Mah. 75.Yıl Bulvarı
No:5/A Nilüfer / Bursa
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Nişantaşı

Halaskargazi Mah. Valikonağı
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100.Yıl Bulvarı No:25 Pk:06370
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Pendik

Yeşilbağlar Mah. Kaptan Sok.
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Bostancı Mah. Bağdat Cad.
Mesut Apt. No:458 / 1-2-3
Kadıköy/ İstanbul
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Tekfen Tower

Eski Büyükdere Caddesi,Tekfen
Tower No:209 İstanbul
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Tekstilkent

Oruçreis Mah. Tekstilkent
Cad. No:12/A B blok Kat:21 İç
Kapı:214 Esenler / İstanbul
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Ümraniye

İnkılap Mah. Alemdağ Cad. No
175/E 34768 Ümraniye / İstanbul
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Yeşilyurt

Sipahioğlu Caddesi Baybora Apt.
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