

(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS AND LIMITED
REVIEW 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 LIMITED REVIEW
REPORT AT 30 SEPTEMBER 2018**



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INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

To the Board of Directors of Burgan Bank Anonim Şirketi

Introduction

We have reviewed the unconsolidated statement of financial position of Burgan Bank A.Ş. (“the Bank”) at 30 September 2018 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “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 Banking Regulation and Supervision Authority, (together referred as “BRSA Accounting and Reporting Legislation”) and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Burgan Bank A.Ş. at 30 September 2018 and of the results of its operations and its cash flows for the nine-month period then ended in all material respects in accordance with the BRSA Accounting and Financial Reporting Legislation.

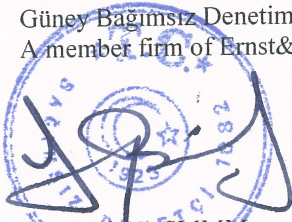
Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim annual report in section seven, is not consistent with the unconsolidated financial statements and disclosures in all material respects.

Additional paragraph for English translation:

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Yaşar Bivas, SMMM
Partner

Istanbul
November 15, 2018

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

**THE UNCONSOLIDATED NINE-MONTH INTERIM FINANCIAL REPORT OF
BURGAN BANK A.Ş. AS OF 30 SEPTEMBER 2018**

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The unconsolidated nine months 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** EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT
- **Section Seven** EXPLANATIONS ON INTERIM ACTIVITY REPORT

The accompanying unconsolidated nine months 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 reviewed.

15 November 2018

Faisal M.A. Al Radwan
Chairman of the
Board of Directors

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

Tuba Onay ERGELEN
Acting Finance Group
Head

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 GHOUSSEIN
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
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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 AT 30 SEPTEMBER 2018

(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 Tekfn 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 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION ABOUT THE BANK (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 billion full TL.

During the capital increase process following the Board of Directors’ decisions dated 15 December 2017, 14 January 2018 and 21 February 2018, rights of preference amounting to TL 285.295.806,45 has been used and the Bank’s capital has been registered as TL 1.185.295.806,45 at 26 March 2018.

Following the Board of Directors’ decision dated 30 May 2018, the Bank’s total capital has been increased by TL 349.704.193,55, with this increase capital previously amounting to TL 1.185.295.806,45 has been increased to full TL 1.535.000.000. The main shareholder capital participation fee amounting to TL 347.647.411,43 has been collected as cash and the following amount has been transferred to the Bank’s capital account with the permission of the BRSA as of 13 June 2018. The rights of preference usage process has been completed and the Bank’s capital amounting to full TL 1.535.000.000 has been registered as of 8 August 2018.

There is no change in the Bank’s shareholder structure, except for the effects of the capital increase during the year.

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 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

GENERAL INFORMATION ABOUT THE BANK (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: (*)	Faisal M.A. Al Radwan	Chairman of Board of Directors	Undergraduate
Board of Directors Members: (*)	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
	Suat Kerem Sözügüzel	Commercial Banking	Undergraduate
	Hasan Hüseyin Uyar	Loans	Graduate
	Tuba Onay Ergelen	Financial Affairs (Represent by proxy)	Undergraduate
Audit Committee:	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Osama T. Al Ghoussein	Member	Undergraduate

(*) The Chairman of the Board of Directors, Mehmet Nazmi Erten, resigned from this position on 12 September 2018 and Vice Chairman Faisal M.A. Al Radwan was elected as the Chairman of Board of Directors on the same date.

(**) The Vice General Manager of Financial Affairs, Mehmet Yalçın, resigned from this position on 2 November 2018, Tuba Onay Ergelen, Head of Strategic Planning and Corporate Communications Group, represents by proxy in this position.

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 30 SEPTEMBER 2018

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

GENERAL INFORMATION ABOUT THE BANK (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.	1.525.972	99,41%	99,41%	-

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 30 September 2018, the Bank has 41 branches operating in Turkey (31 December 2017: 43). The Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 30 September 2018, the Bank has 986 (31 December 2017: 978) employees.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

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

(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 (STATEMENT OF FINANCIAL POSITION)

AT 30 SEPTEMBER 2018

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

I. BALANCE SHEET	Note (Section Five)	(30/09/2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (Net)		3.264.655	3.114.536	6.379.191
1.1 Cash and cash equivalents		1.646.445	2.183.491	3.829.936
1.1.1 Cash and balances at Central Bank	I-a	1.643.422	1.648.058	3.291.480
1.1.2 Banks	I-c	3.023	535.433	538.456
1.1.3 Receivables from Money Markets		-	-	-
1.2 Financial assets at fair value through profit or loss	I-b	24.356	13.093	37.449
1.2.1 Public debt securities		24.356	11.876	36.232
1.2.2 Equity instruments		-	-	-
1.2.3 Other financial assets		-	1.217	1.217
1.3 Financial assets at fair value through other comprehensive income	I-d	234.675	148.409	383.084
1.3.1 Public debt securities		229.257	148.409	377.666
1.3.2 Equity instruments		4.912	-	4.912
1.3.3 Other financial assets		506	-	506
1.4 Financial assets measured at amortized cost	I-g	-	269.007	269.007
1.4.1 Public debt securities		-	269.007	269.007
1.4.2 Other financial assets		-	-	-
1.5 Derivative financial assets	I-l	1.359.567	500.536	1.860.103
1.5.1 Derivative financial assets at fair value through profit or loss		451.629	482.048	933.677
1.5.2 Derivative financial assets at fair value through other comprehensive income		907.938	18.488	926.426
1.6 Non-performing financial assets		-	-	-
1.7 Allowance for expected credit losses (-)		388	-	388
II. LOANS (Net)	I-e	6.272.249	10.118.315	16.390.564
2.1 Loans		5.864.253	10.637.834	16.502.087
2.1.1 Loans measured at amortized cost		5.864.253	10.637.834	16.502.087
2.1.2 Loans at fair value through profit or loss		-	-	-
2.1.3 Loans at fair value through other comprehensive income		-	-	-
2.2 Receivables from leasing transactions	I-k	-	-	-
2.2.1 Finance lease receivables		-	-	-
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		-	-	-
2.3 Factoring receivables	I-e	7	-	7
2.3.1 Factoring receivables measured at amortized cost		7	-	7
2.3.2 Factoring receivables at fair value through profit or loss		-	-	-
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-
2.4 Non-performing loans		651.742	-	651.742
2.5 Allowance for expected credit losses (-)	I-e	243.753	519.519	763.272
2.5.1 12-Month expected credit losses (Stage 1)		24.894	82.336	107.230
2.5.2 Significant increase in credit risk (Stage 2)		48.485	437.183	485.668
2.5.3 Credit-Impaired (Stage 3)		170.374	-	170.374
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	I-o	49.559	-	49.559
3.1 Held for sale		49.559	-	49.559
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		385.084	-	385.084
4.1 Investments in associates (Net)	I-h	-	-	-
4.1.1 Associates accounted by using equity method		-	-	-
4.1.2 Non-consolidated associates		-	-	-
4.2 Investments in subsidiaries (Net)	I-i	385.084	-	385.084
4.2.1 Non-consolidated financial subsidiaries		385.084	-	385.084
4.2.2 Non-consolidated non-financial subsidiaries		-	-	-
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	I-j	-	-	-
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-
V. TANGIBLE ASSETS (Net)		55.994	-	55.994
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		41.061	-	41.061
6.1 Goodwill		-	-	-
6.2 Other		41.061	-	41.061
VII. INVESTMENT PROPERTIES (Net)	I-m	-	-	-
VIII. CURRENT TAX ASSETS		2.184	-	2.184
IX. DEFERRED TAX ASSETS	I-n	-	-	-
X. OTHER ASSETS	I-p	53.691	150.857	204.548
TOTAL ASSETS		10.124.477	13.383.708	23.508.185

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017**

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

I. BALANCE SHEET		Note (Section Five)	(31/12/2017)		
			TL	FC	Total
ASSETS					
I.	CASH AND BALANCES WITH CENTRAL BANK	I-a	1.034.425	992.902	2.027.327
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	80.309	83.557	163.866
2.1	Trading Financial Assets		80.309	83.557	163.866
2.1.1	Government Debt Securities		2.342	2.968	5.310
2.1.2	Share Certificates		-	-	-
2.1.3	Trading Derivative Financial Assets		77.967	80.458	158.425
2.1.4	Other Marketable Securities		-	131	131
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
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
5.1	Share Certificates		4.225	-	4.225
5.2	Government Debt Securities		150.952	95.695	246.647
5.3	Other Marketable Securities		720	-	720
VI.	LOANS	I-e	5.828.071	7.434.460	13.262.531
6.1	Loans		5.664.715	7.434.460	13.099.175
6.1.1	Loans to Bank's Risk Group		21.714	6	21.720
6.1.2	Government Debt Securities		-	-	-
6.1.3	Other		5.643.001	7.434.454	13.077.455
6.2	Loans under Follow-up		345.661	-	345.661
6.3	Specific Provisions (-)		182.305	-	182.305
VII.	FACTORING RECEIVABLES	I-e	6	-	6
VIII.	HELD-TO-MATURITY SECURITIES (Net)	I-g	-	171.218	171.218
8.1	Government Debt Securities		-	171.218	171.218
8.2	Other Marketable Securities		-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-h	-	-	-
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-i	256.972	-	256.972
10.1	Unconsolidated Financial Subsidiaries		256.972	-	256.972
10.2	Unconsolidated non-Financial Subsidiaries		-	-	-
XI.	JOINT VENTURES (Net)	I-j	-	-	-
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-k	-	-	-
12.1	Financial Lease Receivables		-	-	-
12.2	Operational Lease Receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned Income (-)		-	-	-
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	I-l	257.159	5.708	262.867
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		257.159	5.708	262.867
13.3	Foreign Net Investment Hedge		-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)		55.377	-	55.377
XV.	INTANGIBLE ASSETS (Net)		45.085	-	45.085
15.1	Goodwill		-	-	-
15.2	Other		45.085	-	45.085
XVI.	INVESTMENT PROPERTY (Net)	I-m	-	-	-
XVII.	TAX ASSET	I-n	-	-	-
17.1	Current Tax Asset		-	-	-
17.2	Deferred Tax Asset		-	-	-
XVIII.	ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	I-o	45.085	-	45.085
18.1	Held for Resale		45.085	-	45.085
18.2	Discontinued Operations		-	-	-
XIX.	OTHER ASSETS	I-p	64.651	43.415	108.066
	TOTAL ASSETS		7.823.053	8.984.256	16.807.309

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 (STATEMENT OF FINANCIAL POSITION)

AT 30 SEPTEMBER 2018

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

I. BALANCE SHEET	Note (Section Five)	(30/09/2018)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	II-a	4.892.986	7.299.545	12.192.531
II. LOANS RECEIVED	II-c	16.554	5.483.507	5.500.061
I. MONEY MARKET FUNDS		30	192.223	192.253
II. MARKETABLE SECURITIES (Net)	II-d			
4.1 Bills				
4.2 Asset backed securities				
4.3 Bonds				
V. FUNDS				
5.1 Borrower funds				
5.2 Other				
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
VII. DERIVATIVE FINANCIAL LIABILITIES	II-b	330.268	297.547	627.815
7.1 Derivative financial liabilities at fair value through profit or loss		307.610	285.696	593.306
7.2 Derivative financial liabilities at fair value through other comprehensive income		22.658	11.851	34.509
VIII. FACTORING PAYABLES				
IX. LEASE PAYABLES	II-f			
9.1 Finance lease payables				
9.2 Operating lease payables				
9.3 Other				
9.4 Deferred finance lease expenses (-)				
X. PROVISIONS	II-h	53.154	21.915	75.069
10.1 Provision for restructuring				
10.2 Reserves for employee benefits		36.612		36.612
10.3 Insurance technical reserves (Net)				
10.4 Other provisions		16.542	21.915	38.457
XI. CURRENT TAX LIABILITIES	II-i	33.355		33.355
XII. DEFERRED TAX LIABILITIES		19.985		19.985
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	II-j			
13.1 Held for sale				
13.2 Related to discontinued operations				
XIV. SUBORDINATED DEBT	II-k		1.813.757	1.813.757
14.1 Loans			1.813.757	1.813.757
14.2 Other debt instruments				
XV. OTHER LIABILITIES	II-e	87.282	1.036.926	1.124.208
XVI. SHAREHOLDERS' EQUITY	II-l	1.907.956	21.195	1.929.151
16.1 Paid-in capital		1.535.000		1.535.000
16.2 Capital reserves		(99)		(99)
16.2.1 Equity share premiums				
16.2.2 Share cancellation profits				
16.2.3 Other capital reserves		(99)		(99)
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		14.934		14.934
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		112.562	21.195	133.757
16.5 Profit reserves		273.197		273.197
16.5.1 Legal reserves		21.402		21.402
16.5.2 Statutory reserves				
16.5.3 Extraordinary reserves		251.795		251.795
16.5.4 Other profit reserves				
16.6 Profit or loss		(27.638)		(27.638)
16.6.1 Prior years' profits or losses		(174.343)		(174.343)
16.6.2 Current period net profit or loss		146.705		146.705
16.7 Minority share				
TOTAL EQUITY AND LIABILITIES		7.341.570	16.166.615	23.508.185

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017**

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2017)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	II-a	3.516.584	5.411.531	8.928.115
1.1 Deposits of Bank's Risk Group		31.613	55.179	86.792
1.2 Other		3.484.971	5.356.352	8.841.323
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	II-b	78.884	91.050	169.934
III. BORROWINGS	II-c	37.019	4.180.886	4.217.905
IV. MONEY MARKETS		1.206	198.953	200.159
4.1 Funds from Interbank Money Market				-
4.2 Funds from Istanbul Stock Exchange Money Market				-
4.3 Funds Provided Under Repurchase Agreements		1.206	198.953	200.159
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
VIII. OTHER LIABILITIES	II-e	49.352	4.508	53.860
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
11.1 Fair Value Hedge				-
11.2 Cash Flow Hedge		40.807	12.560	53.367
11.3 Foreign Net Investment Hedge				-
XII. PROVISIONS	II-h	103.627	89.083	192.710
12.1 General Loan Loss Provision		42.716	64.850	107.566
12.2 Restructuring Provisions				-
12.3 Reserve for Employee Rights		33.084		33.084
12.4 Insurance Technical Provisions (Net)				-
12.5 Other Provisions		27.827	24.233	52.060
XIII. TAX LIABILITY	II-i	65.411		65.411
13.1 Current Tax Liability		31.930		31.930
13.2 Deferred Tax Liability		33.481		33.481
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
XVI. SHAREHOLDERS' EQUITY	II-l	1.506.245	6.230	1.512.475
16.1 Paid-in Capital		1.185.000		1.185.000
16.2 Capital Reserves		46.635	6.230	52.865
16.2.1 Share Premium				-
16.2.2 Share Cancellation Profits				-
16.2.3 Marketable Securities Valuation Reserve		(2.366)	(143)	(2.509)
16.2.4 Tangible Assets Revaluation Reserve		18.075		18.075
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
16.2.9 Value Differences of Assets Held for Resale and Discontinued Operations				-
16.2.10 Other Capital Reserves		(2.957)		(2.957)
16.3 Profit Reserves		164.762		164.762
16.3.1 Legal Reserves		21.342		21.342
16.3.2 Status Reserves				-
16.3.3 Extraordinary Reserves		143.420		143.420
16.3.4 Other Profit Reserves				-
16.4 Income or (Loss)		109.848		109.848
16.4.1 Prior Years' Income/ (Loss)				-
16.4.2 Current Year Income/ (Loss)		109.848		109.848
TOTAL EQUITY AND LIABILITIES		5.439.282	11.368.027	16.807.309

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 SHEET CONTINGENCIES AND COMMITMENTS AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

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

II. OFF-BALANCE SHEET	Note (Section Five)	(30/09/2018)			(31/12/2017)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		10.449.096	50.717.384	61.166.480	6.645.802	30.744.933	37.390.735
I. GUARANTEES AND WARRANTIES	III-a-2-3	721.148	1.999.772	2.720.920	759.513	1.359.136	2.118.649
1.1 Letters of Guarantee		721.148	1.342.483	2.063.631	756.055	983.997	1.740.052
1.1.1 Guarantees Subject to State Tender Law		29.046	4.132	33.178	7.251	4.124	11.375
1.1.2 Guarantees Given for Foreign Trade Operations							
1.1.3 Other Letters of Guarantee		692.102	1.338.351	2.030.453	748.804	979.873	1.728.677
1.2 Bank Acceptances			119.706	119.706	3.430	104.336	107.766
1.2.1 Import Letter of Acceptance			119.706	119.706			
1.2.2 Other Bank Acceptances							
1.3 Letters of Credit			357.600	357.600		234.673	234.673
1.3.1 Documentary Letters of Credit			357.600	357.600		234.673	234.673
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
1.8 Other Guarantees			179.983	179.983		36.130	36.130
1.9 Other Collaterals							
II. COMMITMENTS	III-a-1	921.113	803.362	1.724.475	566.692	143.459	710.151
2.1 Irrevocable Commitments		921.113	803.362	1.724.475	566.692	143.459	710.151
2.1.1 Asset Purchase and Sales Commitments		701.133	803.362	1.504.495	48.824	143.459	192.283
2.1.2 Deposit Purchase and Sales Commitments							
2.1.3 Share Capital Commitments to Associates and Subsidiaries					14.997		14.997
2.1.4 Commitments for Loan Limits		135.486		135.486	149.606		149.606
2.1.5 Securities Issue Brokerage Commitments							
2.1.6 Commitments for Reserve Deposit Requirements							
2.1.7 Commitments for Cheques		84.494		84.494	334.480		334.480
2.1.8 Tax and Fund Liabilities from Export Commitments							
2.1.9 Commitments for Credit Card Limits					18.777		18.777
2.1.10 Promotion Commitments for Credit Cards and Banking Services					8		8
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		8.806.835	47.914.250	56.721.085	5.319.597	29.242.338	34.561.935
3.1 Hedging Derivative Financial Instruments		751.003	3.394.450	4.145.453	790.978	2.357.639	3.148.617
3.1.1 Transactions for Fair Value Hedge							
3.1.2 Transactions for Cash Flow Hedge		751.003	3.394.450	4.145.453	790.978	2.357.639	3.148.617
3.1.3 Transactions for Foreign Net Investment Hedge							
3.2 Trading Derivative Financial Instruments		8.055.832	44.519.800	52.575.632	4.528.619	26.884.699	31.413.318
3.2.1 Forward Foreign Currency Buy/Sell Transactions		1.831.797	2.201.781	4.033.578	776.137	1.127.092	1.903.229
3.2.1.1 Forward Foreign Currency Transactions-Buy		396.003	1.633.054	2.029.057	467.722	489.075	956.797
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.435.794	568.727	2.004.521	308.415	638.017	946.432
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		1.569.585	27.358.101	28.927.686	1.324.656	19.710.327	21.034.983
3.2.2.1 Foreign Currency Swap-Buy		1.139.991	5.262.584	6.402.575	298.885	4.998.204	5.297.089
3.2.2.2 Foreign Currency Swap-Sell		429.594	5.718.005	6.147.599	1.025.771	4.321.733	5.347.504
3.2.2.3 Interest Rate Swap-Buy			8.188.756	8.188.756		5.195.195	5.195.195
3.2.2.4 Interest Rate Swap-Sell			8.188.756	8.188.756		5.195.195	5.195.195
3.2.3 Foreign Currency, Interest rate and Securities Options		4.654.450	14.959.918	19.614.368	2.427.826	6.047.280	8.475.106
3.2.3.1 Foreign Currency Options-Buy		2.325.027	7.486.148	9.811.175	1.259.407	2.980.038	4.239.445
3.2.3.2 Foreign Currency Options-Sell		2.329.423	7.473.770	9.803.193	1.168.419	3.067.242	4.235.661
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							
3.3 Other							
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		37.668.931	46.827.943	84.496.874	34.296.351	26.361.559	60.657.910
IV. ITEMS HELD IN CUSTODY		1.416.970	418.832	1.835.802	1.552.890	156.878	1.709.768
4.1 Customer Fund and Portfolio Balances							
4.2 Investment Securities Held in Custody		317.269	202.750	520.019	402.489	61.908	464.397
4.3 Cheques Received for Collection		1.074.861	108.572	1.183.433	1.126.344	63.782	1.190.126
4.4 Commercial Notes Received for Collection		24.840	24.584	49.424	24.057	23.000	47.057
4.5 Other Assets Received for Collection							
4.6 Assets Received for Public Offering							
4.7 Other Items Under Custody			82.926	82.926		8.188	8.188
4.8 Custodians							
V. PLEDGES RECEIVED		36.251.961	46.409.111	82.661.072	32.743.461	26.203.434	58.946.895
5.1 Marketable Securities		14.331		14.331	1.031		1.031
5.2 Guarantee Notes		22.462.495	19.679.469	42.141.964	21.097.082	12.190.553	33.287.635
5.3 Commodity		1.120.165	30.725	1.150.890	1.022.137	7.706	1.029.843
5.4 Warranty							
5.5 Immovable		11.122.477	21.942.130	33.064.607	9.986.136	11.113.311	21.099.447
5.6 Other Pledged Items		1.532.493	4.756.787	6.289.280	637.075	2.891.864	3.528.939
5.7 Pledged Items-Depository							
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES						1.247	1.247
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		48.118.027	97.545.327	145.663.354	40.942.153	57.106.492	98.048.645

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 STATEMENT FOR THE PERIOD ENDED
30 SEPTEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

III.	INCOME STATEMENT	Note (Section Five)	01/01/2018- 30/09/2018	01/07/2018- 30/09/2018
	INCOME AND EXPENSE ITEMS			
I.	INTEREST INCOME	IV-a	1.646.067	662.372
1.1	Interest on loans		1.202.810	466.446
1.2	Interest received from reserve deposits		25.998	10.475
1.3	Interest received from banks		74.333	32.926
1.4	Interest received from money market transactions		22.530	16.606
1.5	Interest received from marketable securities portfolio		34.144	15.349
1.5.1	Financial assets at fair value through profit or loss		1.146	379
1.5.2	Financial assets at fair value through other comprehensive income		24.878	11.163
1.5.3	Financial assets measured at amortized cost		8.120	3.807
1.6	Finance lease income		-	-
1.7	Other interest income	IV-k	286.252	120.570
II.	INTEREST EXPENSES (-)	IV-b	1.148.012	470.079
2.1	Interest on deposits		643.255	266.002
2.2	Interest on funds borrowed		204.090	85.550
2.3	Interest on money market transactions		6.537	2.832
2.4	Interest on securities issued		-	-
2.5	Other interest expenses	IV-k	294.130	115.695
III.	NET INTEREST INCOME/EXPENSE (I - II)		498.055	192.293
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		19.278	4.149
4.1	Fees and commissions received		31.072	8.418
4.1.1	Non-cash loans		16.287	5.604
4.1.2	Other	IV-k	14.785	2.814
4.2	Fees and commissions paid (-)		11.794	4.269
4.2.1	Non-cash loans (-)		44	15
4.2.2	Other (-)	IV-k	11.750	4.254
V.	PERSONNEL EXPENSES (-)		122.682	42.544
VI.	DIVIDEND INCOME		686	-
VII.	TRADING PROFIT/LOSS (Net)	IV-c	71.170	30.495
7.1	Profit/losses from capital market transactions		1.394	581
7.2	Profit/losses from derivative financial transactions		26.445	12.953
7.3	Foreign exchange profit/losses		43.331	16.961
VIII.	OTHER OPERATING INCOME	IV-d	12.955	3.114
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		479.462	187.507
X.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	IV-e	187.699	94.007
XI.	OTHER OPERATING EXPENSES (-)	IV-f	129.349	44.032
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		162.414	49.468
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XIV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		20.782	6.125
XV.	NET MONETARY POSITION GAIN/LOSS		-	-
XVI.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	IV-g	183.196	55.593
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	IV-h	36.491	10.951
17.1	Current tax provision		-	-
17.2	Expense effect of deferred tax (+)		244.200	133.919
17.3	Income effect of deferred tax (-)		207.709	122.968
XVIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	IV-i	146.705	44.642
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
19.1	Income from assets held for sale		-	-
19.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
19.3	Other income from discontinued operations		-	-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
20.1	Expenses on assets held for sale		-	-
20.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other expenses from discontinued operations		-	-
XXI.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (±) (XIX-XX)		-	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1	Current tax provision		-	-
22.2	Expense effect of deferred tax (+)		-	-
22.3	Income effect of deferred tax (-)		-	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV.	NET PROFIT/LOSSES (XVIII+XXIII)	IV-j	146.705	44.642
24.1	Group's profit/loss		146.705	44.642
24.2	Minority shares		-	-
	Profit/Loss per share (1.000 nominal in TL full)		1,107	0,356

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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 STATEMENT FOR THE PERIOD ENDED
30 SEPTEMBER 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

III. INCOME STATEMENT	Note (Section Five)	01/01/2017- 30/09/2017	01/07/2017- 30/09/2017
INCOME AND EXPENSE ITEMS			
I. INTEREST INCOME	IV-a	1.053.152	366.944
1.1 Interest on Loans		814.051	297.844
1.2 Interest Received from Reserve Requirements		13.900	5.754
1.3 Interest Received from Banks		22.010	3.685
1.4 Interest Received from Money Market Transactions		2.491	422
1.5 Interest Received from Marketable Securities Portfolio		31.908	8.207
1.5.1 Trading Financial Assets		2.516	845
1.5.2 Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3 Available-for-sale Financial Assets		23.983	5.563
1.5.4 Held-to-maturity Investments		5.409	1.799
1.6 Financial Lease Income		-	-
1.7 Other Interest Income	IV-k	168.792	51.032
II. INTEREST EXPENSE (-)	IV-b	733.885	258.672
2.1 Interest on Deposits		402.554	154.395
2.2 Interest on Funds Borrowed		104.279	40.197
2.3 Interest Expense on Money Market Transactions		11.047	1.725
2.4 Interest on Securities Issued		-	-
2.5 Other Interest Expenses	IV-k	216.005	62.355
III. NET INTEREST INCOME (I + II)		319.267	108.272
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		24.205	7.072
4.1 Fees and Commissions Received		29.875	9.440
4.1.1 Non-cash Loans		13.664	4.750
4.1.2 Other	IV-k	16.211	4.690
4.2 Fees and Commissions Paid (-)		5.670	2.368
4.2.1 Non-cash Loans (-)		30	11
4.2.2 Other (-)	IV-k	5.640	2.357
V. DIVIDEND INCOME		328	-
VI. TRADING INCOME/(LOSS) (Net)	IV-c	5.702	(1.807)
6.1 Trading Gains/(Losses) on Securities		3.874	1.419
6.2 Trading Gains/(Losses) on Derivative Financial Instruments		7.091	5.391
6.3 Foreign Exchange Gains/(Losses)		(5.263)	(8.617)
VII. OTHER OPERATING INCOME	IV-d	9.197	3.147
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		358.699	116.684
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-e	65.020	25.176
X. OTHER OPERATING EXPENSES (-)	IV-f	220.626	71.802
XI. NET OPERATING INCOME/(LOSS) (VIII+IX+X)		73.053	19.706
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		8.673	4.897
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-g	81.726	24.603
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-h	16.164	4.122
16.1 Current Tax Provision		447	(6.288)
16.2 Deferred Tax Provision		15.717	10.410
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)	IV-i	65.562	20.481
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-j	65.562	20.481
Earnings/(Loss) per share (1.000 nominal in TL full)		0,728	0,228

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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.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY		30/09/2018
I.	CURRENT PERIOD INCOME/LOSS	146.705
II.	OTHER COMPREHENSIVE INCOME	96.010
2.1	Other comprehensive income not to be reclassified to profit or loss in subsequent periods:	-
2.1.1	Revaluation Differences of Tangible Assets	-
2.1.2	Revaluation Differences of Intangible Assets	-
2.1.3	Defined benefit plans remeasurement gains/losses	-
2.1.4	Other comprehensive income not to be reclassified to profit or loss	-
2.1.5	Income tax relating to components of other comprehensive income not to be reclassified to profit or loss	-
2.2	Other comprehensive income to be reclassified to profit or loss in subsequent periods:	96.010
2.2.1	Exchange differences on translation of foreign operations	4.861
2.2.2	Gains or losses on valuation or reclassification arising from financial assets at fair value through other comprehensive income	(44.505)
2.2.3	Gains or losses arising on cash flow hedges	161.363
2.2.4	Gains or losses arising on net investment hedges	-
2.2.5	Other comprehensive income to be reclassified to profit or loss	-
2.2.6	Income tax relating to components of other comprehensive income to be reclassified to profit or loss	(25.709)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	242.715

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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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.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	30/09/2017
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	9.923
II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS	
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)	(3.716)
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	
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	(31)
IX. DEFERRED TAX ON VALUATION DIFFERENCES	1.712
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	7.888
XI. CURRENT PERIOD INCOME/LOSS	65.562
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	1.958
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	63.604
XII. TOTAL (INCOME)/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	73.450

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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.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 SEPTEMBER 2018

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY							Other comprehensive income not to be reclassified to profit or loss			Other comprehensive income to be reclassified to profit or loss			Profit Reserves	Prior Period Profit or Loss	Current Period Net Income or Loss	Total Shareholders' Equity
CURRENT PERIOD 30/09/2018	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6					
I. Prior Period End Balance (31/12/2017)	II-1	1.185.000	-	-	184	18.075	(3.141)	-	1.705	(4.214)	40.256	164.762	109.848	-	1.512.475	
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	
2.1 Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(174.343)	-	(174.343)	
III. New Balance (I+II)		1.185.000	-	-	184	18.075	(3.141)	-	1.705	(4.214)	40.256	164.762	(64.495)	-	1.338.132	
IV. Total Comprehensive Income		-	-	-	-	-	-	-	4.861	(34.714)	125.863	-	-	146.705	242.715	
V. Capital Increase in Cash		348.304	-	-	-	-	-	-	-	-	-	-	-	-	348.304	
VI. Capital Increase in Internal Resources		1.696	-	-	(1.696)	-	-	-	-	-	-	-	-	-	-	
VII. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Gain or Loss related to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	1.413	-	-	-	-	-	-	108.435	(109.848)	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+.....+X+XI)		1.535.000	-	-	(99)	18.075	(3.141)	-	6.566	(38.928)	166.119	273.197	(174.343)	146.705	1.929.151	

- Describes;
- 1.Fixed assets revaluations increases/decreases.
 - 2.Accumulated remeasurement gains/losses of defined benefits.
 - 3.Other (the share of other comprehensive income of the investments accounted by the equity method that cannot be classified as profit/(loss) and the accumulated amounts of other comprehensive income items that will not be reclassified as other profit/(loss)).
 - 4.Foreign currency translation differences.
 - 5.Accumulated revaluation and/or classification gains/(losses) on financial assets at fair value through other comprehensive income.
 6. Other (Cash flow hedging gains/(losses), share of other comprehensive income of equity method investees classified as profit/(loss) and accumulated amounts of other comprehensive income items to be reclassified as other profit or loss).

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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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.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 SEPTEMBER 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
PRIOR PERIOD 30/09/2017	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-1	900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	
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	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	
Changes in the Period																		
IV. Increase/Decrease due to the Merger																		
V. Marketable Securities Valuation Differences												7.162					7.162	
VI. Hedging Reserves (Effective Portion)															(2.973)		(2.973)	
6.1 Cash Flow Hedge															(2.973)		(2.973)	
6.2 Foreign Investment for Purpose of Hedge																		
VII. Revaluation Differences of Tangible Assets																		
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												675					675	
XIV. Capital Increase																		
14.1 Cash																		
14.2 Internal Resources																		
XV. Share Premium																		
XVI. Share Cancellation Profits																		
XVII. Adjustment to Share Capital																		
XVIII. Other													3.024				3.024	
XIX. Current Year Income or Loss										65.562							65.562	
XX. Profit Distribution						1.164		70.509		(71.673)								
20.1 Dividend Paid																		
20.2 Transfers to Reserves						1.164		70.509		(71.673)								
20.3 Other																		
Period End Balance (III+IV+...+XX)		900.000	-	-	-	21.342	-	143.420	(2.375)	65.562	-	(34)	19.151	-	18.942	-	1.166.008	

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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.

UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VI. CASH FLOW STATEMENT	Note (Section Five)	Current Period 30/09/2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(458.446)
1.1.1 Interest Received		1.300.100
1.1.2 Interest Paid		(1.078.995)
1.1.3 Dividend Received		686
1.1.4 Fees and Commissions Received		29.019
1.1.5 Other Income		-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		182.743
1.1.7 Payments to Personnel and Service Suppliers		(122.682)
1.1.8 Taxes Paid		(7.696)
1.1.9 Other		(761.621)
1.2 Changes in Operating Assets and Liabilities		1.941.916
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(31.866)
1.2.2 Net (Increase)/Decrease in Due from Banks and Other Financial Institutions		176.310
1.2.3 Net (Increase)/Decrease in Loans		(3.549.556)
1.2.4 Net (Increase)/Decrease in Other Assets		(267.193)
1.2.5 Net (Increase)/Decrease in Bank Deposits		(3.423)
1.2.6 Net Increase/(Decrease) in Other Deposits		3.239.618
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net Increase/(Decrease) in Funds Borrowed		1.914.534
1.2.9 Net Increase/(Decrease) in Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities		463.492
I. Net Cash Provided from Banking Operations		1.483.470
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		(139.434)
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		(2.774)
2.4 Disposals of Property and Equipment		7.852
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(161.288)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		16.776
2.7 Cash Paid for Purchase of Investment Securities		-
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		348.304
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment Of Funds Borrowed and Securities Issued		-
3.3 Issued Capital Instruments		348.304
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		122.874
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		1.815.214
VI. Cash and Cash Equivalents at Beginning of the Period		1.236.153
VII. Cash and Cash Equivalents at end of the Period		3.051.367

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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.

UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 30 SEPTEMBER 2017

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VI. CASH FLOW STATEMENT	Note (Section Five)	Prior Period 30/09/2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		118.229
1.1.1 Interest Received		1.006.029
1.1.2 Interest Paid		(694.851)
1.1.3 Dividend Received		328
1.1.4 Fees and Commissions Received		25.074
1.1.5 Other Income		-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		46.151
1.1.7 Payments to Personnel and Service Suppliers		(108.146)
1.1.8 Taxes Paid		(16.164)
1.1.9 Other		(140.192)
1.2 Changes in Operating Assets and Liabilities		(103.958)
1.2.1 Net (Increase)/Decrease in Trading Securities		(9.911)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3 Net (Increase)/Decrease in Due from Banks		1.071
1.2.4 Net (Increase)/Decrease in Loans		(1.793.571)
1.2.5 Net (Increase)/Decrease in Other Assets		15.814
1.2.6 Net Increase/(Decrease) in Bank Deposits		370.753
1.2.7 Net Increase/(Decrease) in Other Deposits		237.564
1.2.8 Net Increase/(Decrease) in Funds Borrowed		1.256.232
1.2.9 Net Increase/(Decrease) in Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(181.910)
I. Net Cash Provided from Banking Operations		14.271
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		256.327
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		(4.055)
2.4 Disposals of Property and Equipment		10.507
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(99.429)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		349.304
2.7 Cash Paid for Purchase of Investment Securities		-
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		-
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment Of Funds Borrowed and Securities Issued		-
3.3 Issued Capital Instruments		-
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		(39.848)
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		230.750
VI. Cash and Cash Equivalents at Beginning of the Period		634.416
VII. Cash and Cash Equivalents at end of the Period		865.166

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION THREE

EXPLANATIONS ON 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 amounts in the unconsolidated financial statements and notes related to unconsolidated financial statements have been expressed in thousands of Turkish Lira, unless otherwise stated.

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 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.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

I. BASIS OF PRESENTATION (Continued):

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

Accounting policies and valuation principles used in the preparation of the unconsolidated financial statements are determined in accordance with the regulations, Communiques, interpretations and legislations related to accounting and financial reporting principles published by the BRSA, and in case where a specific regulation is not made by BRSA, TAS/IFRS (all “BRSA Accounting and Financial Reporting Legislation”) and related appendices and interpretations are put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”). In accordance with the transition rules of IFRS 9, the prior period financial statements and notes are not restated. Accounting policies and valuation principles used for 2018 and 2017 are separately presented in the following notes; The accounting policies for 2017 are included in note XXX. Impacts of the transition to IFRS 9 and its adoption are disclosed in note XXIX.

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 the Official Gazette dated 9 April 2015 and numbered 29321.

Before the amendments in the Communique, it was specified that an entity which is preparing separate financial statements was able to recognize its investments in associates, subsidiaries and joint ventures in accordance with the cost value or in accordance with the IFRS 9 Financial Instruments Standard, with the amendments in the Communique the entity which is preparing separate financial statements will also be able to recognize its investments in associates, subsidiaries and joint ventures following the equity method.

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

Additional paragraph 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON 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 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 30 September 2018, foreign currency denominated balances are translated into TL using the exchange rates of TL 5,9902 and TL 6,9505 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 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 income and expenses are translated at the exchange rate of the transaction date) and the resulting foreign currency translation differences are presented as a separate item under equity. The currency of the Group is 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 TAS 27 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 30 September 2018 and 31 December 2017.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON 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 currency forwards, swaps, options and futures as transactions at “Fair Value Through Profit or Loss” in accordance with TFRS 9 principles. Derivative transactions are recorded in accordance with their fair value on the contract date. Also, liabilities and receivables arising from derivative instruments are followed in the off-balance sheet accounts from their contractual values.

Derivative instruments are measured at their fair values in the periods following their recording and are disclosed under assets or liabilities in the “Derivative Financial Assets at Fair Value Through Profit or Loss” section according to whether their fair value is positive or negative. Differences in the fair value of trading derivative instruments are reflected to 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.

Embedded derivatives are separated from the host contract and accounted for as a derivative under TFRS 9 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 30 September 2018, The Bank applies cash flow hedge accounting through cross and interest currency swaps to protect against changes in interest rates of FC deposits which have average maturities 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 TFRS 9, on the financial statements under equity “Accumulated other comprehensive income or expense to be reclassified through profit or loss”, whereas the amount concerning ineffective parts 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 financial hedging instrument does not eliminate the hedging relationship, if the financial hedging instrument is part of the hedging strategy in accordance with TFRS 9.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income statement by using the effective interest method. Starting from 1 January 2018, the bank has started accruing interest accrual on non-performing loans. Net book value of non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with the effective interest rate and recognized with the gross book value of the non-performing loan.

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 “Financial Assets at Fair Value Through Profit or Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” or “Financial Assets Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 “Classification and Measurement of Financial Instruments” published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value.

The Bank recognizes a financial asset into the financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, the business model determined by the Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank’s management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to earnings, losses or interests that were previously recorded in the financial statements.

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

“Financial Assets at Fair Value Through Profit or Loss” are financial assets other than the ones that are managed with business models that aim to hold contractual cash flows in order to collect them and the ones that are managed with business models that aim to collect both the contractual cash flows and cash flows arising from the sale of the assets; If the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at a certain date; That are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at fair value through profit or loss are initially recognized at fair value and are remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

b. Financial assets at fair value through other comprehensive income:

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial assets with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are re-measured at fair value. Interest income calculated with the effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. Unrealized gains and losses, arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. When the mentioned marketable securities are collected or sold, the accumulated losses through fair value are reflected on the income statement.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and/or whose fair values can be reliably measured are carried at their fair value. Equity securities that do not have a quoted market price in an active market and/or whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition, an entity can make an irrevocable decision, by choosing to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in other comprehensive income. If this choice is made, the dividends from the investment are taken into the financial statements as profit or loss.

c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at their acquisition cost including the transaction costs which reflect the fair value of those instruments and are subsequently recognized at “Amortized Cost” by using “Effective Interest (Internal Efficiency) Rate” method. Interest income obtained from financial assets measured at amortized cost are accounted in the income statement.

d. Loans:

Loans are financial assets that have fixed or determinable payment terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Effective Interest Rate (Internal Rate of Return)” method.

The Bank’s loans are recorded under the “Measured at Amortized Cost” account.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

The Bank allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

As of 1 January 2018, in accordance with the Communiqué related to “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” published in the Official Gazette no. 29750 dated 22 June 2016, the Bank has started to allocate a loss allowance for expected credit losses on financial assets and loans measured at amortized cost in accordance with TFRS 9. In this context, as of 31 December 2017, the credit loss allowance method within the framework of the BRSA’s related legislation has been changed to the loss allowance for expected credit losses model with the implementation of TFRS 9. The predictions of expected credit loss forecasts include credible information which is objective, probability-weighted, supportable about past events, current conditions, and forecasts of future economic conditions.

The basic parameters used in the calculations of provision are described below:

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon. Based on TFRS 9, two different PDs are considered in calculations:

- **12-month PD:** The probability of default occurring within the next 12 months following the balance sheet date.
- **Lifetime PD:** The probability of default occurring over the remaining life of the loan.

The Bank generates ratings for the corporate and commercial customers via internal rating system and the 12-month or lifetime probability of defaults are estimated based on these ratings. Macroeconomic expectations are taken into account when carrying out these expectations and the weighted average of the probabilities of default calculated from three different scenarios are considered as the final probability of default.

For retail customers, the score point is generated via the internal scoring system and the 12-month or lifetime probabilities of default are estimated based on these score points by considering the above-mentioned macroeconomic factors.

For the receivables from customers such as sovereign and banks, provision is calculated by using the determined values in the corporate and commercial probability of default table and the loss given default rates.

Loss Given Default Rate: If a loan default occurs, it refers to the economic loss that might be encountered by taking into consideration the collection period and the time value of money. The Bank has determined the loss given default rates by considering the expert opinion based on the past historical data set.

Exposure at Default: For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans, it is the value calculated through using credit conversion factors.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES:

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

These are the financial assets at initial recognition or financial assets that do not have a significant increase in credit risk since their initial recognition. Impairment for credit risk for these assets is accounted in the amount of 12-month expected credit losses. Therefore, the expected probability of default of 12 months is calculated by considering the maturity of the loan. This value is obtained after weighting the three macroeconomic scenarios and the provision is calculated using the loss given default and risk amounts calculated by taking into consideration the collateral composition of the loan.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is accounted on the basis of the financial asset’s lifetime expected credit losses. The provision which will be allocated for the loan is calculated by considering the maturity and cash flow of the loan for three macroeconomic scenarios as stated above. For this purpose, the probability of default and the loss given default amounts are estimated only for 12 months but also for the whole life of the loan and the loan provision is determined by using the present value set calculated over the cash flow.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized. The method is similar to the methodology applied for Stage 2 loans, but the probability of default is considered 100% in these calculations. In general the Bank follows the definition of default in the legislation (objective default definition, for example the criterion of the number of days past due). On the other hand, if it is decided that the debt will not be paid, the aforementioned receivable will be considered as Stage 3, even if the default has not occurred yet.

The Bank carries out its determination regarding the significant increase in credit risk by taking into consideration of the following criterias:

- Type of customer (calculations are made on separate models for corporate and commercial customers and retail customers).
- Internal rating scores (calculations are based on score points for retail customers and ratings for corporate and commercial customers).
- The deterioration observed in the internal rating score between the drawdown date and the reporting date.

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 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.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON 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”, “Financial assets at fair value through other comprehensive income” and “Measured at amortized cost” 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 Rate (Internal Efficiency) 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 30 September 2018, the Bank has no goodwill (31 December 2017: 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. 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.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON 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 capitalized 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.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities except for the allowances for expected credit losses 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 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:

The Bank accounts obligations related to employee termination and vacation rights in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and classifies these items under the “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.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON 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 22% for 2018 (2017: 20%). The corporate tax rate is implemented on the total income of the Bank after adjusting for certain disallowable expenses (e.g. income from subsidiaries exception), 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 05.12.2017, 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 on their corporate income with the current rate. 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, 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.

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EXPLANATIONS ON 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 “amortized 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 30 September 2018, the Bank has no government grants (31 December 2017: 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.

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EXPLANATIONS ON 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.

	30 September 2018	30 September 2017
Net Income/(Loss) to be Appropriated to Ordinary Shareholders	146.705	65.562
Weighted Average Number of Issued Ordinary Shares (Thousand)	132.569.692	90.000.000
Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)	1,107	0,728

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 “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 of “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. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

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 X. in Section Four.

XXVIII. RECLASSIFICATIONS:

None.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF TFRS 9 FINANCIAL INSTRUMENTS STANDARD:

TFRS 9 Financial Instruments Standard, which is effective as at 1 January 2018 will replace the TAS 39 Financial Instruments: Recognition and Measurement standard. TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

Classification and measurement of financial assets:

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model in which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent solely payments of principal and interest.

Assesment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment; “Principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. When making this assessment the Bank considers the events that can alter the amount and timing of cash flows, product specific leverage features, prepayment and extension terms, terms that limit the Bank’s claim to cash flows from specified assets and the features that modify consideration for the time value of money.

The Bank fulfills the on-balance sheet classification and measurement criterias by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset is classified as either fair value through profit or loss, fair value through other comprehensive income or measured at amortized cost. The application of TAS 39 principles on the classification and measurement of financial liabilities remain largely unchanged.

Explanations of the effects from the Bank’s application of TFRS 9 is presented below.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF TFRS 9 FINANCIAL INSTRUMENTS STANDARD (Continued):

a. Classification and measurement of financial assets:

Financial Assets	Before TFRS 9		In Scope of TFRS 9	
	Measurement Bases	Book Value 31 December 2017	Measurement Bases	Book Value 1 January 2018
Cash and Balances with Central Bank	Measured at amortized cost	2.027.327	Measured at amortized cost	2.027.327
Banks and Money Markets	Measured at amortized cost	157.317	Measured at amortized cost	157.317
Marketable Securities	Fair value through profit or loss	5.441	Fair value through profit or loss	5.441
Marketable Securities	Fair value through other comprehensive income	251.592	Fair value through other comprehensive income	251.592
Marketable Securities	Measured at amortized cost	171.218	Measured at amortized cost	171.218
Derivative Financial Assets	Fair value through profit or loss	421.292	Fair value through profit or loss	421.292
Loans (Gross)	Measured at amortized cost	13.444.836	Measured at amortized cost	13.444.836

During the Group’s transition to TFRS 9 no changes have been made in the classification and measurement of financial assets in the 1 January 2018 initial financial statements under the framework of cash flow features related to the business model and the contract. Since their previous categories under TAS 39 are “put out of use”, without any adjustments, the financial assets that are classified as Trading, “Available-for-sale” and “Held-to-maturity” are now classified as “Fair value through profit or loss”, “Fair value through other comprehensive income” and “Measured at amortized cost” respectively under TFRS 9 as of 1 January 2018.

b. Reconciliation of statement of financial position balances from TAS 39 to TFRS 9:

There is no classification implemented on the current financial asset portfolios of the Bank. However, the “Cash and Cash Equivalents” account which is used on financial statements as of 1 January 2018 includes the combination of “Cash and Balances at Central Bank”, “Banks” and “Receivables from Money Markets” accounts which were presented separately in the 31 December 2017 financial statements. Furthermore, the “Other Liabilities” account, effective on financial statements as of 1 January 2018, includes the combination of “Miscellaneous Payables” and “Other Foreign Liabilities” accounts, which were presented separately on the 31 December 2017 financial statements.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF TFRS 9 FINANCIAL INSTRUMENTS STANDARD (Continued):

c. Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9:

The table below shows the reconciliation of the provision for impairment of the Bank as of 31 December 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018.

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans	327.789	195.074	522.863
Stage 1	94.018	(40.664)	53.354
Stage 2	10.911	271.788	282.699
Stage 3	182.305	4.505	186.810
Other (*)	40.555	(40.555)	-
Financial assets	471	65	536
Non-cash loans	6.465	15.940	22.405
Stage 1 and 2	2.165	15.953	18.118
Stage 3	4.300	(13)	4.287
Total	334.725	211.079	545.804

(*) It expresses the provisions the Bank has allocated for certain loans in its loan portfolio related to risks that can arise in the future in the unconsolidated financial statements as of 31 December 2017.

d. Effects on equity with TFRS 9 transition:

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening amount of equity. Under the framework of this article, the explanations about the effects of the transition to TFRS 9 shown in equity items are given below:

The expense directional difference between the provision for impairment of the previous period of the Bank together with the general provisions for loans and other receivables of the Bank, and the new expected credit losses measured in accordance with the predicted TFRS 9 impairment model as of 1 January 2018, netted off from deferred tax income and corporate tax amounting to TL 140.978 and the expense directional difference arising from the effects of TAS 27 amounting to TL 33.365 is classified in equity under the “Prior Year’s Profits or Losses” account.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF TFRS 9 FINANCIAL INSTRUMENTS STANDARD (Continued):

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Under this framework, deferred tax assets amounting to TL 69.113 has been reflected to the opening financials of 1 January 2018 and the related amount has been classified under "Prior Year's Profits or Losses" in shareholders' equity. For the specific provisions (TFRS 9 expected loss provisions for third stage loans), which have been cancelled due to TFRS 9 transition, corporate tax liability amounting to TL 988 is classified under "Prior Year's Profits or Losses" in equity as of 1 January 2018.

XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD:

The TFRS 9 standard has been effective instead of TAS 39 as of 1 January 2018. Accounting policies which have lost their validity with the transition to TFRS 9 are given below:

1. Explanations On Interest Income and Expense:

Interest income and expenses are recognized 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.

2. 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 recognized 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (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 Rate (Internal Efficiency)” method after their recognition.

Interest income earned from held-to-maturity financial assets is reflected to the statement of income. The Bank does not have 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 is recorded as income to the “Provision for Loan Losses and Other Receivables” account shown as net with the provisions recorded in the year.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (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.

“Unrealized 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.

3. 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.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. While calculating capital adequacy ratios; According to the BRSA writing dated 13.08.2018 and numbered 10578, the foreign currency buying rate of 30.06.2018 was used in the calculation of the amount subject to credit risk, the average exchange rate of the CBRT on the average of 252 business days before the calculation date and the application of the higher of the foreign exchange buying rate dated 30.06.2018. Furthermore, The Bank considered to apply the Regulation numbered 10513, dated August 12, 2018: The valuation differences of the securities included in the “Financial Assets at Fair Value through Other Comprehensive Income” portfolio shall be calculated in accordance with the regulation and shall not be taken into consideration in the equity amount that in the capital adequacy ratio calculation as of 12 August 2018.

As of 30 September 2018 Bank’s total capital has been calculated as TL 3.864.152 (31 December 2017: TL 2.650.685) and the Capital adequacy ratio is 23,41% (31 December 2017: 19,60%).

a. Information about total capital:

	Current Period 30 September 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.535.000		1.185.000	
Share issue premiums	-		-	
Legal Reserves	273.098		164.946	
Gains recognized in equity as per TAS	319.669		60.036	
Profit	146.705		109.848	
Current Period Profit	146.705		109.848	
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 I Capital Before Deductions	2.274.472		1.519.830	
Deductions from Common Equity Tier I 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	177.484		7.355	
Improvement costs for operating leasing	15.459		15.642	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	41.101	41.101	35.918	44.897
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	166.119		40.256	
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 I Capital	400.163		99.171	
Total Common Equity Tier I Capital	1.874.309		1.420.659	

(*) In this section, the accounts that are liable to the temporary articles of ‘‘Regulation on Equities of Banks’’ which will be considered at the end of the transition period are shown.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 30 September 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	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	-
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)	1.874.309	-	1.411.680	-
TIER II CAPITAL				
Debt instruments and share issue premiums deemed suitable by the BRSA	1.797.060	-	1.131.570	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	193.669	-	107.566	-
Tier II Capital Before Deductions	1.990.729	-	1.239.136	-
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.	886	-	131	-
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	886	-	131	-
Total Tier II Capital	1.989.843	-	1.239.005	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.864.152	-	2.650.685	-
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	-	-	-	-
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 (-)	-	-	-	-

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 30 September 2018	Amounts related to treatment before 1/1/2014 (*)	Prior Period 31 December 2017	Amounts related to treatment before 1/1/2014 (*)
TOTAL CAPITAL				
Total Capital	3.864.152		2.650.685	
Total risk weighted amounts	16.509.240		13.526.423	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	11,35		10,50	
Tier I Capital Adequacy Ratio (%)	11,35		10,44	
Capital Adequacy Ratio (%)	23,41		19,60	
BUFFERS				
Total buffer requirement (a+b+c)	1,875		1,250	
a.Capital conservation buffer requirement (%)	1,875		1,250	
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	6,85		6,00	
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	253.879		17.587	
Limits related to provisions considered in Tier II calculation				
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	620.845		107.566	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	193.669		107.566	
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	-		-	

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**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 (e.g. 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)	898.530	898.530
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 incompliances with article number 7 and 8 of “Own fund regulation”	None.	None.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued):

I. EXPLANATIONS ON EQUITY (Continued):

c. Information related to the TFRS 9 transition process:

	T	T-1	T-2	T-3	T-4
EQUITY ITEMS					
Common Equity Tier 1 Capital	1.874.309	1.842.082	1.809.854	1.777.627	1.745.399
Common Equity Tier 1 Capital Without the Implementation of the Transition Process	1.745.399	1.745.399	1.745.399	1.745.399	1.745.399
Tier 1 Capital	1.874.309	1.842.082	1.809.854	1.777.627	1.745.399
Tier 1 Capital Without the Implementation of the Transition Process	1.745.399	1.745.399	1.745.399	1.745.399	1.745.399
Equity	3.864.152	3.864.152	3.864.152	3.864.152	3.864.152
Equity Without the Implementation of the Transition Process	3.864.152	3.864.152	3.864.152	3.864.152	3.864.152
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	16.509.240	16.509.240	16.509.240	16.509.240	16.509.240
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	11,35	11,16	10,96	10,77	10,57
Common Equity Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	10,57	10,57	10,57	10,57	10,57
Tier 1 Capital Adequacy Ratio (%)	11,35	11,16	10,96	10,77	10,57
Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	10,57	10,57	10,57	10,57	10,57
Capital Adequacy Ratio (%)	23,41	23,41	23,41	23,41	23,41
Capital Adequacy Ratio Without the Implementation of the Transition Process	23,41	23,41	23,41	23,41	23,41
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	28.911.822	28.911.822	28.911.822	28.911.822	28.911.822
Leverage Ratio (%)	6,45	6,37	6,26	6,15	6,00
Leverage Ratio Without the Implementation of the Transition Process	6,00	6,00	6,00	6,00	6,00

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

II. EXPLANATIONS ON RISK MANAGEMENT:

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 30 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 30 September 2018:

- 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 30 September 2018	Prior Period 31 December 2017	Current Period 30 September 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	14.552.953	12.345.238	1.164.236
2	Standardised approach (SA)	14.552.953	12.345.238	1.164.236
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	940.585	380.220	75.247
5	Standardised approach for counterparty credit risk (SACCR)	940.585	380.220	75.247
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	189.874	115.709	15.190
17	Standardised approach (SA)	189.874	115.709	15.190
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	825.828	685.256	66.066
20	Basic indicator approach	825.828	685.256	66.066
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)	16.509.240	13.526.423	1.320.739

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

III. 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 are set by the Board of Directors annually. The Bank has a short-term conservative foreign currency position management policy.

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	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
30 September 2018/ 31 December 2017				
Bid rate	6,9505 TL	4,5155 TL	5,9902 TL	3,7719 TL
1. Day Bid Rate	6,9505 TL	4,5155 TL	5,9902 TL	3,7719 TL
2. Day Bid Rate	7,1130 TL	4,5478 TL	6,0752 TL	3,8104 TL
3. Day Bid Rate	7,2007 TL	4,5385 TL	6,1242 TL	3,8197 TL
4. Day Bid Rate	7,2057 TL	4,5116 TL	6,1240 TL	3,8029 TL
5. Day Bid Rate	7,3234 TL	4,5205 TL	6,2287 TL	3,8087 TL

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	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Arithmetic average - 30 days	7,3665 TL	4,5508 TL	6,3154 TL	3,8440 TL

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

III. 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
30 September 2018				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	184.435	1.461.670	1.953	1.648.058
Due From Banks	19.504	508.287	7.642	535.433
Financial Assets at Fair Value Through Profit or Loss	128.710	174.777	1.328	304.815
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	12.643	135.766	-	148.409
Loans (*)	7.190.062	4.294.827	-	11.484.889
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	269.007	-	269.007
Hedging Derivative Financial Assets (*)	1.031	15.263	-	16.294
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	182	150.675	-	150.857
Total Assets	7.536.567	7.010.272	10.923	14.557.762
Liabilities				
Bank Deposits	83.839	4.946	17	88.802
Foreign Currency Deposits	1.801.848	5.248.449	160.446	7.210.743
Funds From Interbank Money Market	-	192.223	-	192.223
Funds Borrowed From Other Financial Institutions	570.299	6.726.965	-	7.297.264
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	516.206	510.226	4	1.026.436
Hedging Derivative Financial Liabilities	833	11.018	-	11.851
Other Liabilities (*)	98.952	175.970	1.368	276.290
Total Liabilities	3.071.977	12.869.797	161.835	16.103.609
Net On-balance Sheet Position	4.464.590	(5.859.525)	(150.912)	(1.545.847)
Net Off-balance Sheet Position	(4.197.242)	6.166.061	190.783	2.159.602
Financial Derivative Assets	3.645.486	12.456.930	363.814	16.466.230
Financial Derivative Liabilities	7.842.728	6.290.869	173.031	14.306.628
Non-Cash Loans (**)	1.020.158	923.420	56.194	1.999.772
31 December 2017				
Total Assets (*)	5.374.354	4.403.468	16.122	9.793.944
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

(*) The above table shows the Bank’s foreign currency net position based on main currencies. Foreign currency indexed assets are classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts. Due to this, foreign currency indexed loans amounting to TL 847.055 (31 December 2017: TL 831.039) classified as Turkish Lira assets in the 30 September 2018 financial statements are added to the table above. Furthermore, in foreign currency assets “Income Accruals of Derivative Financial Instruments” amounting to TL 192.520 (31 December 2017: TL 21.351) and “Stages 1&2 Allowances for Expected Credit Losses” amounting to TL 519.519 TL (31 December 2017: None), in foreign currency liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 20.462 (31 December 2017: TL 54.410) and “Stages 1&2 Allowances for Expected Credit Losses” amounting to TL 21.349 (31 December 2017: TL 23.997 “Free Provisions for Probable Risks” and TL 64.850 “General Provisions”) and “Marketable Securities Valuation Reserve” with “ Hedging Derivative Financials” amounting to TL 21.195 (31 December 2017: TL 6.230) are not included in the table above.

(**) Non-cash loans are not included in the total of “Net Off-Balance Sheet Position”.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

IV. 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.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates (As for the remaining time to repricing):

30 September 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets (***)							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	2.550.893	-	-	-	-	740.587	3.291.480
Due From Banks	499.898	-	-	-	-	38.187	538.085
Financial Assets at Fair Value Through Profit/Loss (*)	202.240	211.109	1.418.421	55.176	10.606	-	1.897.552
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	506	87.889	207.875	81.885	4.912	383.067
Loans	6.464.086	3.638.133	3.850.469	1.871.325	84.137	482.414	16.390.564
Financial Assets Measured at Amortized Cost	-	-	-	269.007	-	-	269.007
Other Assets	-	-	-	-	-	738.430	738.430
Total Assets	9.717.117	3.849.748	5.356.779	2.403.383	176.628	2.004.530	23.508.185
Liabilities							
Bank Deposits	83.511	-	-	-	-	5.638	89.149
Other Deposits	9.816.790	1.490.580	432.485	4.757	-	358.770	12.103.382
Funds From Interbank Money Market	120	-	192.133	-	-	-	192.253
Miscellaneous Payables	-	-	-	-	-	1.051.923	1.051.923
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	2.804.335	3.190.136	1.299.309	20.038	-	-	7.313.818
Other Liabilities (*) (**)	173.076	239.453	170.239	44.811	236	2.129.845	2.757.660
Total Liabilities	12.877.832	4.920.169	2.094.166	69.606	236	3.546.176	23.508.185
Balance Sheet Long Position	-	-	3.262.613	2.333.777	176.392	-	5.772.782
Balance Sheet Short Position	(3.160.715)	(1.070.421)	-	-	-	(1.541.646)	(5.772.782)
Off-balance Sheet Long Position	825.878	-	1.721.538	-	-	-	2.547.416
Off-balance Sheet Short Position	-	(34.951)	-	(1.284.236)	-	-	(1.319.187)
Total Position	(2.334.837)	(1.105.372)	4.984.151	1.049.541	176.392	(1.541.646)	1.228.229

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 926.426 and other liabilities includes hedging derivative financial liabilities amounting to TL 34.509 classified to a related re-pricing periods.

(**) Shareholders’ Equity is presented in Non-Interest Bearing column.

(***) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

IV. 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) (Continued):**

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash (Cash in Vault, 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	411.915	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

(*) Shareholders' Equity is presented in Non-Interest Bearing column.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

IV. EXPLANATIONS ON INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

The average interest rates calculated by weighing the simple rates with their principals are given below:

30 September 2018	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	-	13,00
Due From Banks	-	2,00	-	-
Financial Assets at Fair Value Through Profit/Loss	3,78	6,83	-	23,84
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,05	4,66	-	14,94
Loans	5,46	8,13	-	24,73
Financial Assets Measured at Amortized Cost	-	4,41	-	-
Liabilities				
Bank Deposits	1,60	-	-	-
Other Deposits (*)	2,77	6,39	-	24,76
Funds From Interbank Money Market	-	3,61	-	14,45
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,68	4,93	-	6,71

(*) Demand deposits are included in the calculation of the weighted average interest rates.

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.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

IV. 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 of the Bank 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	(78.861)	(2,0)%
2. TRY	-400 bp	71.043	1,8%
3. EURO	+200 bp	(2.863)	(0,1)%
4. EURO	-200 bp	(1.309)	0,0%
5. USD	+200 bp	(20.626)	(0,5)%
6. USD	-200 bp	22.862	0,6%
Total (For Negative Shocks)		92.596	2,4%
Total (For Positive Shocks)		(102.350)	(2,6)%

V. EXPLANATIONS ON SHARE CERTIFICATE POSITION RISK:

None.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

VI. 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.

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(Continued):**

VI. 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.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued):

Liquidity Coverage Ratio:

30 September 2018		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets	-	-	3.458.463	2.192.968
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	7.241.067	3.826.074	694.064	382.607
3	Stable deposits	600.846	-	30.042	-
4	Less stable deposits	6.640.221	3.826.074	664.022	382.607
5	Unsecured Funding other than Retail and Small Business Customers Deposits	4.285.743	3.681.070	2.545.529	2.209.331
6	Operational deposits	1.239.463	1.101.915	309.866	275.479
7	Non-Operational Deposits	2.278.470	1.930.680	1.467.852	1.285.377
8	Other Unsecured Funding	767.810	648.475	767.811	648.475
9	Secured funding	-	-	-	-
10	Other Cash Outflows	19.456	90.917	19.456	90.917
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	19.456	90.917	19.456	90.917
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	2.850.301	2.016.725	339.427	218.471
16	TOTAL CASH OUTFLOWS			3.598.476	2.901.326
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	2.219.493	940.798	1.596.199	688.563
19	Other contractual cash inflows	76.243	499.025	76.243	499.025
20	TOTAL CASH INFLOWS	2.295.736	1.439.823	1.672.442	1.187.588
				Upper Bound Applied Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS			3.458.463	2.192.968
22	TOTAL NET CASH OUTFLOWS			1.926.034	1.713.738
23	Liquidity Coverage Ratio (%)			179,56	127,96

(*) The arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's are used.

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VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued):

31 December 2017		Unweighted Amounts (*)		Weighted Amounts (*)	
		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.

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

VI. 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 85% and securities issued by Undersecretariat of Treasury at a ratio of 12%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 25%,43% and 22% 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. With the decision of the Banking Regulation and Supervision Agency dated 07.09.2018 and numbered 7940, it has been decided that the banks will not include the collaterals they received for credit derivatives and derivative transactions in the calculation of liquidity coverage ratio until 31 December 2018, effective from 31 July 2018.

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with the “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 70% for foreign currency assets and liabilities and at least 90% in total assets and liabilities for the period 30 September 2018. 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 (%)	237,87%	380,36%	100,33%	125,39%
Week	27.07.2018	27.07.2018	21.09.2018	24.08.2018

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued):

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued):

Breakdown of assets and liabilities according to their outstanding maturities:

30 September 2018	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years 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	740.587	2.550.893	-	-	-	-	-	3.291.480
Due From Banks	38.187	499.898	-	-	-	-	-	538.085
Financial Assets at Fair Value Through Profit or Loss (*)	-	175.840	203.263	706.915	789.949	21.585	-	1.897.552
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	19.261	277.008	81.886	4.912	383.067
Loans	-	2.337.703	1.955.368	3.671.921	6.203.107	1.740.051	482.414	16.390.564
Financial Assets Measured at Amortized Cost	-	-	-	-	269.007	-	-	269.007
Other Assets (**)	-	31.998	2.833	18.571	4.103	5.361	675.564	738.430
Total Assets	778.774	5.596.332	2.161.464	4.416.668	7.543.174	1.848.883	1.162.890	23.508.185
Liabilities								
Bank Deposits	5.638	83.511	-	-	-	-	-	89.149
Other Deposits	358.770	9.816.790	1.490.580	432.485	4.757	-	-	12.103.382
Funds Borrowed From Other Financial Institutions	-	554.535	485.616	1.479.916	2.979.994	1.813.757	-	7.313.818
Funds From Interbank Money Market	-	-	-	-	192.253	-	-	192.253
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	1.029.554	-	-	-	-	22.369	1.051.923
Other Liabilities (*) (***)	-	192.663	161.198	219.132	195.854	3.849	1.984.964	2.757.660
Total Liabilities	364.408	11.677.053	2.137.394	2.131.533	3.372.858	1.817.606	2.007.333	23.508.185
Net Liquidity Gap	414.366	(6.080.721)	24.070	2.285.135	4.170.316	31.277	(844.443)	-
Net Off-balance sheet Position	-	1.027.303	1.464.648	947.886	313.687	1.330	-	3.754.854
Financial Derivative Assets	-	5.812.468	2.551.894	4.154.163	1.571.619	2.191	-	14.092.335
Financial Derivative Liabilities	-	(4.785.165)	(1.087.246)	(3.206.277)	(1.257.932)	(861)	-	(10.337.481)
Non-cash Loans	-	1.602.376	196.141	764.256	150.884	7.263	-	2.720.920
31 December 2017								
Total Assets	75.486	3.619.410	1.671.436	2.966.478	6.418.075	1.435.040	621.384	16.807.309
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

(*) Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL926.426 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 34.509. These accounts are mainly shown under the 1-5 year maturity period.

(**) Assets forming the balance sheet such as fixed and intangible assets, subsidiaries, associates and stationary stocks are classified in this column.

(***) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

(****) Assets are shown with their net values in their related period by deducting allowances for expected credit losses.

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(Continued):**

VII. EXPLANATIONS ON LEVERAGE RATIO:

Information on subjects that causes difference in leverage ratio between current and prior periods:

As of 30 September 2018, leverage ratio of the Bank calculated from the arithmetic average of the three months is 6,45% (31 December 2017: 5,91%). 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:

	30 September 2018 (*)	31 December 2017 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	23.485.066	16.842.135
(Assets deducted from Core capital)	57.440	56.269
Total risk amount of balance sheet assets	23.427.626	16.785.866
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	1.299.502	360.397
Potential credit risk amount of derivative financial assets and credit derivatives	206.259	117.001
Total risk amount of derivative financial assets and credit derivatives	1.505.761	477.398
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 nominal amount of off-balance sheet transactions	3.978.435	3.161.106
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.978.435	3.161.106
Capital and total risk		
Core Capital	1.851.589	1.206.141
Total risk amount	28.911.822	20.424.370
Leverage ratio		
Leverage ratio	6,45%	5,91%

(*) The arithmetic average of the last 3 months in the related periods.

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VIII. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 30 September 2018, 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 TFRS 9, in financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with income statement.

As of the balance sheet date derivative financial receivables of which carrying amount is TL 926.426 (31 December 2017: TL 262.867) and derivative financial payables of which carrying amount is TL 34.509 (31 December 2017: TL 53.367), are subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, fair value expense amounting to TL 125.863 (31 December 2017: TL 18.341 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2017: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments		Hedging Funds (*)	Ineffective Part Accounted in the Income Statement (Net)
			Fair Value			
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	914.225	33.038	151.454	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	12.201	1.471	14.665	-

(*) Includes TAS27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TFRS 9, 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 2017: None). The measurements conducted as of 30 September 2018 show that the cash flow hedging transactions shown above are effective.

IX. 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.

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INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued):

X. 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 financing, 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:

The prior period information is presented as of 31 December 2017 for balance sheet items and as of 30 September 2017 for income statement items.

	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
30 September 2018					
Net Interest Income	89.938	360.840	47.277	-	498.055
Net Fees and Comissions	3.908	15.370	-	-	19.278
Trading Profit/Loss	5.579	13.038	52.553	-	71.170
Other Operating Income	2.626	10.329	-	-	12.955
Operating Income	102.051	399.577	99.830	-	601.458
Operating Costs (-)	67.561	273.712	23.734	74.723	439.730
Net Operating Income	34.490	125.865	76.096	(74.723)	161.728
Dividend Income	-	-	-	686	686
Income/Loss from subsidiaries based on equity method	-	-	-	20.782	20.782
Profit Before Tax	34.490	125.865	76.096	(53.255)	183.196
Tax Provisions (-)	7.588	27.690	16.741	(15.528)	36.491
Net Profit/Loss	26.902	98.175	59.355	(37.727)	146.705
Segment Assets	1.477.856	16.104.522	5.187.377	-	22.769.755
Investments in associates, subsidiaries and joint ventures	-	-	-	385.084	385.084
Unallocated Assets	-	-	-	353.346	353.346
Total Assets	1.477.856	16.104.522	5.187.377	738.430	23.508.185
Segments Liabilities	8.123.027	3.999.737	8.223.035	1.233.235	21.579.034
Unallocated Liabilities	-	-	-	1.929.151	1.929.151
Total Liabilities	8.123.027	3.999.737	8.223.035	3.162.386	23.508.185

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued):**

X. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
30 September 2017					
Net Interest Income	45.899	246.424	26.944	-	319.267
Net Fees and Comissions	4.141	20.064	-	-	24.205
Trading Profit/Loss	6.902	11.414	(12.614)	-	5.702
Other Operating Income	1.573	7.624	-	-	9.197
Operating Income	58.515	285.526	14.330	-	358.371
Operating Costs (-)	49.229	152.658	18.752	65.007	285.646
Net Operating Income	9.286	132.868	(4.422)	(65.007)	72.725
Dividend Income	-	-	-	328	328
Income/(Loss) from subsidiaries based on equity method	-	-	-	8.673	8.673
Profit Before Tax	9.286	132.868	(4.422)	(56.006)	81.726
Tax Provisions (-)	1.857	25.939	(884)	(10.748)	16.164
Net Profit/(Loss)	7.429	106.929	(3.538)	(45.258)	65.562
31 December 2017					
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)

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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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:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Cash/Foreign currency	17.789	111.256	12.414	39.651
CBRT	1.625.633	1.536.802	1.022.011	953.251
Other	-	-	-	-
Total	1.643.422	1.648.058	1.034.425	992.902

2. Information on the account of the CBRT:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Demand Unrestricted Amount	463.458	611.519	955.529	6.766
Time Unrestricted Amount	1.162.175	152.911	66.482	-
Time Restricted Amount	-	772.372	-	946.485
Total	1.625.633	1.536.802	1.022.011	953.251

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.

As of 30 September 2018, The valid TL required reserve rates vary between 1,5% and 8% according to their maturities (31 December 2017: Between 4% and 10,5%). The valid foreign currency required reserve rates vary between 4% and 20% according to their maturities (31 December 2017: Between 4% and 24%).

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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 30 September 2018, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2017: None).
2. Positive differences related to derivative financial instruments at fair value through profit or loss:

	30 September 2018	
	TL	FC
Forward Transactions	189.920	7.816
Swap Transactions	261.616	234.608
Futures Transactions	-	-
Options	93	239.624
Other	-	-
Total	451.629	482.048

	31 December 2017	
	TL	FC
Forward Transactions	23.695	9.926
Swap Transactions	52.550	44.250
Futures Transactions	-	-
Options	1.722	26.282
Other	-	-
Total	77.967	80.458

c. Information on banks:

1. Information on banks:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Banks				
Domestic	3.023	2.998	16	1.888
Foreign	-	532.435	-	155.413
Headquarters and Branches Abroad	-	-	-	-
Total	3.023	535.433	16	157.301

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

d. Information on Financial Assets at Fair Value Through Other Comprehensive Income:

1. Characteristics and carrying values of available-for-sale financial assets given as collateral:

As of 30 September 2018, there are TL 363.230 available-for-sale financial assets given as collateral/blocked (31 December 2017: TL 53.202) and those subject to repurchase agreements amount to TL 23 (31 December 2017: TL 96.867).

2. Information on financial assets at fair value through other comprehensive income:

	30 September 2018
Debt Securities	419.719
Quoted on Stock Exchange	419.719
Not Quoted	-
Share Certificates	4.912
Quoted on Stock Exchange	-
Not Quoted	4.912
Impairment Provision (-)	41.547
Total	383.084

Information on available-for-sale financial assets:

	31 December 2017
Debt Securities	249.658
Quoted on Stock Exchange	249.658
Not Quoted	-
Share Certificates	4.225
Quoted on Stock Exchange	-
Not Quoted	4.225
Impairment Provision (-)	2.291
Total	251.592

e. Explanations on loans:

1. Information on all types of loan or advance balances given to shareholders and employees of the Bank:

	30 September 2018		31 December 2017	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	22.212	-	-
Corporate Shareholders	-	22.212	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	3.816	-	4.660	-
Total	3.816	22.212	4.660	-

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

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables with Revised Contract Terms	Re-finance
Cash Loans				
Non-Specialized Loans	14.582.018	1.648.284	271.792	-
Loans given to enterprises	-	-	-	-
Export Loans	976.106	131.742	187	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	405.143	-	-	-
Consumer Loans	654.779	31.784	6.085	-
Credit Cards	125	68	-	-
Other (*)	12.545.865	1.484.690	265.520	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	14.582.018	1.648.284	271.792	-

(*) The Bank also has TL 7 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	-	240.003
3, 4 or 5 times	-	31.789
Over 5 times	-	-
Total	-	271.792

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	62.972
6 Months – 12 Months	-	13.093
1-2 Years	-	41.425
2-5 Years	-	93.862
5 Years and Over	-	60.440
Total	-	271.792

iv.

	Standard Loans	Loans and Other Receivables Under Close Monitoring
General Provisions	123.210	497.635
12 Month Expected Credit Losses (Stage I)	123.210	-
Significant Increase in Credit Risk (Stage II)	-	497.635

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

3. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	32.810	642.531	675.341
Real estate loans	-	92.938	92.938
Automotive loans	213	24.249	24.462
Consumer loans	32.597	525.344	557.941
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	160	6.863	7.023
Real estate loans	-	6.243	6.243
Automotive loans	-	-	-
Consumer loans	160	620	780
Other	-	-	-
Individual Credit Cards-TL	155	-	155
With installments	-	-	-
Without installments	155	-	155
Individual Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel Loans-TL	318	3.470	3.788
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	318	3.470	3.788
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	28	-	28
With installments	-	-	-
Without installments	28	-	28
Personnel Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Credit Deposit Account-TL (Real Person)	6.496	-	6.496
Credit Deposit Account-FC (Real Person)	-	-	-
Total	39.967	652.864	692.831

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

4. Information on commercial installment loans and corporate credit cards:

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	17.792	1.422.411	1.440.203
Real estate Loans	-	-	-
Automotive Loans	258	5.058	5.316
Consumer Loans	17.534	1.417.353	1.434.887
Other	-	-	-
Commercial Installments Loans-FC Indexed	17.308	610.367	627.675
Real estate Loans	-	-	-
Automotive Loans	-	3.201	3.201
Consumer Loans	17.308	607.166	624.474
Other	-	-	-
Commercial Installments Loans-FC	43.293	5.874.067	5.917.360
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	43.293	5.874.067	5.917.360
Other	-	-	-
Corporate Credit Cards-TL	10	-	10
With installments	-	-	-
Without installments	10	-	10
Corporate Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Credit Deposit Account-TL (Legal Person)	213	-	213
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	78.616	7.906.845	7.985.461

5. Loans according to types of borrowers:

	30 September 2018	31 December 2017
Public	-	-
Private	16.502.094	13.099.181
Total	16.502.094	13.099.181

6. Distribution of domestic and foreign loans:

	30 September 2018	31 December 2017
Domestic Loans	16.502.094	13.099.181
Foreign Loans	-	-
Total	16.502.094	13.099.181

7. Loans given to associates and subsidiaries;

	30 September 2018	31 December 2017
Direct Loans given to associates and subsidiaries	21.854	21.693
Indirect Loans given to associates and subsidiaries	-	-
Total	21.854	21.693

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

8. Specific provisions provided against loans:

	30 September 2018
Loans and Other Receivables with Limited Collectability	24.922
Loans and Other Receivables with Doubtful Collectability	44.127
Uncollectible Loans and Other Receivables	101.325
Total	170.374

	31 December 2017
Loans and Other Receivables with Limited Collectability	4.554
Loans and Other Receivables with Doubtful Collectability	12.027
Uncollectible Loans and Other Receivables	165.724
Total	182.305

9. Information on non-performing loans (Net):

i. Information on non-performing loans restructured or rescheduled and other receivables:

	III. Group	IV. Group	V. Group
	Loans and other	Loans and other	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	other
	collectability	collectability	receivables
30 September 2018			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	10.367

	III. Group	IV. Group	V. Group
	Loans and other	Loans and other	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	other
	collectability	collectability	receivables
31 December 2017			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	6.069

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

ii. Information on the movement of total non-performing 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
Prior Period End Balance	66.345	50.910	228.406
Additions (+)	462.982	18.929	105.688
Transfers from Other Categories of Non-performing Loans (+)	-	320.998	96.493
Transfers to Other Categories of Non-performing Loans (-)	320.998	96.493	-
Collections (-)	20.470	32.550	129.418
Write-offs (-)	-	-	-
Sold Portfolio (-) (*)	-	11.873	87.207
Corporate and Commercial Loans	-	11.873	81.353
Consumer Loans	-	-	5.497
Credit Cards	-	-	357
Other	-	-	-
Balance at the End of the Period	187.859	249.921	213.962
Specific Provision (-)	24.922	44.127	101.325
Net Balance on Balance Sheet	162.937	205.794	112.637

(*) At 28 June 2018, the Bank has erased non-performing loans amounting to TL 99.080 from its assets by selling them to Efes Varlık Yönetimi A.Ş. for TL 305.

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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
30 September 2018			
Period-End Balance	47.974	104.682	50.028
Specific Provision (-)	12.294	28.059	29.929
Net Balance on balance sheet	35.680	76.623	20.099

	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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

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
30 September 2018			
Current Period (Net)	162.937	205.794	112.637
Loans Given to Real Persons and Legal Persons (Gross)	187.859	249.921	213.962
Specific Provision Amount (-)	24.922	44.127	101.325
Loans Given to Real Persons and Legal Persons (Net)	162.937	205.794	112.637
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

	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			
Prior 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)	-	-	-

f. **Information on the calculation of interest accruals, valuation differences and their provisions for non-performing loans by banks which allocate expected credit losses according to TFRS 9:**

	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)	35.907	3.390	4
Interest Accruals and Valuation Differences	45.593	6.085	7
Provision Amount (-)	9.686	2.695	3
Prior Period (Net)	-	-	-
Interest Accruals and Valuation Differences	-	-	-
Provision Amount (-)	-	-	-

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

g. Information on financial assets measured at amortized cost:

1. Information on held-to-maturity financial assets subject to repurchase agreements:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	253.160	-	171.218
Other	-	-	-	-
Total	-	253.160	-	171.218

2. Information on held-to-maturity financial assets given as collateral/blocked:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	15.847	-	-
Other	-	-	-	-
Total	-	15.847	-	-

3. Information on government debt securities held-to-maturity:

	30 September 2018	31 December 2017
Government Bond	269.007	171.218
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	269.007	171.218

4. Information on investment securities held-to-maturity:

	30 September 2018	31 December 2017
Debt securities	269.007	171.218
Publicly-traded	269.007	171.218
Not publicly-traded	-	-
Provision for impairment	-	-
Total	269.007	171.218

5. Movement of held-to-maturity investments within the period:

	30 September 2018	31 December 2017
Opening balance	171.218	161.607
Foreign exchange differences in monetary assets	97.789	9.611
Purchases during the year	-	-
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	269.007	171.218

h. Information on investments in associates (Net):

None (31 December 2017: None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

i. Information on subsidiaries (Net):

1. Information on unconsolidated subsidiaries:

None (31 December 2017: None).

2. Main financial figures of the unconsolidated subsidiaries in order of the below table:

None (31 December 2017: 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
	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary:	Istanbul/Turkey	100,00	-
2	-Burgan Wealth Limited Dubai	Dubai/UAE	100,00	-

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	3.360.184	259.721	5.687	171.010	-	23.611	20.571	-
2 (*)	152.489	125.447	4.033	11.176	148	(2.829)	(11.898)	-

(*) The consolidated values of Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary Burgan Wealth Limited Dubai.

5. Movement schedules of subsidiaries:

	30 September 2018	31 December 2017
Balance at the beginning of the Period	256.972	237.171
Movements during the Period	128.112	19.801
Purchases	116.000	-
Bonus Shares Obtained	70.000	-
Dividends from Current Year Income	20.782	17.168
Sales	-	-
Revaluation Increase/Decrease (*)	(78.670)	2.633
Impairment Provision	-	-
Balance at the end of the Period	385.084	256.972
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	99,99%	99,99%

(*) Includes the increases/decreases that occurred in the third part referred at footnote I in accordance with TAS 27 related with the equity method accounting.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

i. Information on subsidiaries (Net) (Continued):

6. Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

Subsidiaries	30 September 2018	31 December 2017
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	269.208	206.686
Finance Companies	-	-
Other Financial Subsidiaries	115.876	50.286
Total	385.084	256.972

7. Subsidiaries quoted on stock exchange:

None (31 December 2017: None).

j. Information on joint ventures:

None (31 December 2017: None).

k. Information on lease receivables (net):

None (31 December 2017: None).

l. Information on fair value hedging derivative financial assets:

	30 September 2018	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	907.938	18.488
Foreign Net Investment Hedge	-	-
Total	907.938	18.488

	31 December 2017	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	257.159	5.708
Foreign Net Investment Hedge	-	-
Total	257.159	5.708

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued):

m. Information on investment property:

None (31 December 2017: None).

n. Information on deferred tax asset:

As of 30 September 2018, Bank has netted-off the calculated deferred tax asset of TL 257.437 (31 December 2017: TL 19.982) and deferred tax liability of TL 277.422 (31 December 2017: TL 53.463) in accordance with “TAS 12” and has recorded a net deferred tax asset of TL 19.985 (31 December 2017: TL 33.481 net deferred tax liability) in the financial statements.

o. Information on assets held for resale and discontinued operations:

The Bank has assets held for resale amounting to TL 49.559 (31 December 2017: TL 45.085) and has no discontinued operations.

Prior Period	30 September 2018	31 December 2017
Cost	45.652	45.996
Accumulated Depreciation (-)	567	831
Net Book Value	45.085	45.165
Current Period		
Net book value at beginning of the period	45.085	45.165
Additions	13.358	13.340
Disposals (-), net	7.852	12.977
Impairment (-)	1.032	397
Depreciation (-)	-	46
Cost	50.069	45.652
Accumulated Depreciation (-)	510	567
Closing Net Book Value	49.559	45.085

p. Information on other assets:

Other assets amount to TL 204.548 (31 December 2017: TL 108.066) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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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. 30 September 2018:

	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	30.258	-	360.630	3.225.952	107.972	86.373	40.779	-	3.851.964
Foreign Currency Deposits	265.287	-	626.026	5.050.631	908.488	284.518	75.793	-	7.210.743
Residents in Turkey	241.791	-	624.147	4.976.325	900.454	282.636	71.039	-	7.096.392
Residents Abroad	23.496	-	1.879	74.306	8.034	1.882	4.754	-	114.351
Public Sector Deposits	3.614	-	-	-	-	-	-	-	3.614
Commercial Deposits	58.440	-	177.215	560.171	6.968	32.345	12.072	-	847.211
Other Institutions Deposits	1.171	-	6.586	172.950	3.364	5.779	-	-	189.850
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	5.638	-	83.511	-	-	-	-	-	89.149
The CBRT	-	-	83.511	-	-	-	-	-	83.511
Domestic Banks	213	-	-	-	-	-	-	-	213
Foreign Banks	5.425	-	-	-	-	-	-	-	5.425
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	364.408	-	1.253.968	9.009.704	1.026.792	409.015	128.644	-	12.192.531

ii. 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

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**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:

Saving Deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Saving Deposits	884.730	696.957	2.967.234	2.148.831
Foreign Currency Savings Deposit	275.546	244.679	3.700.527	2.688.262
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	1.160.276	941.636	6.667.761	4.837.093

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:

	30 September 2018	31 December 2017
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	26.748	23.562
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	26.748	23.562

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

b. Information on derivative financial liabilities at fair value through profit or loss:

Negative differences related to derivative financial liabilities at fair value through profit or loss:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Derivative Financial Liabilities Held for Trading				
Forward Transactions	121.602	4.709	18.993	2.876
Swap Transactions	186.008	42.211	59.584	61.434
Futures Transactions	-	-	-	-
Options	-	238.776	307	26.740
Other	-	-	-	-
Total	307.610	285.696	78.884	91.050

c. Information on borrowings:

1. Information on banks and other financial institutions:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	16.554	98.290	37.019	78.001
From Foreign Banks, Institutions and Funds	-	5.385.217	-	4.102.885
Total	16.554	5.483.507	37.019	4.180.886

2. Information on maturity structure of borrowings:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Short-term	16.554	544.671	37.019	502.943
Medium and Long-term	-	4.938.836	-	3.677.943
Total	16.554	5.483.507	37.019	4.180.886

3. Additional information on the major concentration of the Bank’s liabilities:

The Bank’s main funding sources are deposits and borrowings. As of 30 September 2018, deposits and borrowings from Bank’s risk group comprise 1% (31 December 2017: 1%) of total deposits. Besides this, Borrowings from Bank’s risk group comprise 58% (31 December 2017: 48%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2017: None).

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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 1.124.208 (31 December 2017: TL 53.860 Other Foreign Liabilities and TL 272.791 Miscellaneous Payables) 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 2017: None).

g. Information on fair value hedging derivative financial liabilities:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	22.658	11.851	40.807	12.560
Foreign Net Investment Hedge	-	-	-	-
Total	22.658	11.851	40.807	12.560

h. Information on provisions:

1. Information on general provisions:

Are classified under assets in the current period due to the implementation of TFRS 9.

	31 December 2017
General Provisions	107.566
Provisions for First Group Loans and Receivables	94.018
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Second Group Loans and Receivables	10.911
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Non-Cash Loans	2.166
Other	471

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**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 Labor 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 that is one month’s salary for each working year is restricted to TL 5.434,42 since 1 July 2018 (31 December 2017: TL 4.732,48). Employee termination benefits are not funded, as there is no funding requirement.

In accordance with Turkish Labor 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 are used in the calculation of total liabilities:

	30 September 2018	31 December 2017
Discount rate (%)	3,26	3,26
Salary increase rate (%)	8,50	8,50
Average remaining work period (Year)	11,00	11,00

Movement of reserve for employment termination benefits during the period:

	30 September 2018	31 December 2017
As of January 1	11.432	9.456
Service cost	3.962	1.705
Interest cost	-	1.056
Settlement cost	-	936
Actuarial loss/gain	-	763
Benefits paid (-)	1.461	2.484
Total	13.933	11.432

In addition, as of 30 September 2018 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 22.679 (31 December 2017: TL 21.652).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

3. Other provisions:

i. Information on free provisions for possible risks:

No free provisions have been allocated in the current period for loans due to the implementation of TFRS 9.

	31 December 2017
Free Provisions for Possible Risks (*)	40.555

(*) Includes the provisions allocated for risks that may arise in the future related to certain loans in the Bank’s loan portfolio.

ii. Information on other provisions:

The Bank set aside reserves under other provisions amounting to TL 6.913 (31 December 2017: TL 6.936) for lawsuits, TL 28.607 (31 December 2017: TL 2.389) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 2.374 (31 December 2017: TL 1.911) for customer cheques commitments and TL 188 (31 December 2017: TL 33) provision allocated for credit card loyalty points and TL 375 provisions for other receivables (31 December 2017: TL 236).

4. Information on provisions related with foreign currency difference of foreign indexed loans:

As of 30 September 2018, there is no provision allocated related to the foreign currency difference of foreign indexed loans (31 December 2017: TL 1.407) and is netted from the loan amount in the financial statements.

i. Information on taxes payable:

1. Information on tax provision:

As of 30 September 2018, there is no corporate tax provision (31 December 2017: TL 7.696).

2. Information on taxes payable:

	30 September 2018	31 December 2017
Corporate Tax Payable	-	7.696
Taxation of Marketable Securities	12.126	8.567
Property Tax	315	104
Banking Insurance Transaction Tax	10.278	6.485
Value Added Tax Payable	192	550
Other	4.223	2.980
Total	27.134	26.382

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

3. Information on premium payables:

	30 September 2018	31 December 2017
Social Security Premiums-Employee	2.433	2.125
Social Security Premiums-Employer	3.240	2.940
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	167	147
Unemployment Insurance-Employer	334	292
Other	47	44
Total	6.221	5.548

4. Explanations on deferred tax liability:

As of 30 September 2018, the Bank has netted-off the calculated deferred tax asset of TL 257.437 (31 December 2017: TL 19.982) and deferred tax liability of TL 277.422 (31 December 2017: TL 53.463) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 19.985 (31 December 2017: TL 33.481 net deferred tax liability) in the financial statements.

As of 30 September 2018 and 31 December 2017, the details of temporary differences and deferred tax assets and liabilities are as follows:

	Accumulated Temporary Differences		Deferred tax assets/liabilities	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Carried Financial Loss (***)	461.321	-	101.491	-
Provisions for Legal Cases	6.913	6.936	1.521	1.526
General Provisions and Other Provisions	640.288	40.555	140.863	8.922
Employee Benefits Provision	17.357	19.323	3.819	4.250
Derivative Financial Instruments Valuation Difference	-	-	-	-
Unearned Income	31.053	24.015	6.832	5.284
Others	13.236	-	2.911	-
Deferred Tax Assets	1.170.168	90.829	257.437	19.982
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	24.855	27.102	3.234	3.728
Derivative Financial Instruments Valuation Difference	1.246.308	216.678	274.188	47.669
Other	-	9.388	-	2.066
Deferred Tax Liabilities	1.271.163	253.168	277.422	53.463
Deferred Tax Assets/(Liabilities) (Net)	(100.995)	(162.339)	(19.985)	(33.481)

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

The deferred tax asset/liability summary is as follows:

	30 September 2018	31 December 2017
Balance as of 1 January	(33.481)	(13.796)
Current year deferred tax income/(expense), net	(36.491)	(15.390)
Deferred tax charged to equity, net (*) (**)	49.987	(4.295)
Balance at the End of the Period	(19.985)	(33.481)

(*) Deferred tax expense accounted in equity due to the effects of TAS 27 amounts to TL 5.554.

(**) Deferred tax asset accounted in equity also includes the effects of the transition to TFRS 9.

(***) The Bank will be able to use its carried financial loss occurred in the current year amounted TL 461.321 in the calculation of corporate tax until 2023.

a. Information on payables for assets held for resale and discontinued operations:

None (31 December 2017: None).

b. 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 Shareholder)	USD 150.000.000	6 December 2013	4 December 2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Shareholder)	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:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.813.757	-	1.140.582
Other Foreign	-	-	-	-
Total	-	1.813.757	-	1.140.582

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Debt Instruments Subject to Common Equity	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments Subject to Tier 2 Equity	-	1.813.757	-	1.140.582
Subordinated Loans	-	1.813.757	-	1.140.582
Subordinated Debt Instruments	-	-	-	-
Total	-	1.813.757	-	1.140.582

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

c. Information on shareholders' equity:

1. Presentation of paid-in capital:

	30 September 2018	31 December 2017
Common Stock	1.535.000	1.185.000
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	1.535.000	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
16.03.2018	296	296	-	-
13.06.2018 (*)	347.647	347.647	-	-
8.08.2018 (*)	2.057	361	-	1.696
Total	350.000	348.304	-	1.696

(*) Following the Board of Directors' decision dated 30 May 2018, the Bank's total capital has been increased by TL 349.704.193,55 with this increase capital previously amounting to TL 1.185.295.806,45 has been increased to full TL 1.535.000.000. The main shareholder capital participation fee amounting to TL 347.647.411,43 has been collected as cash and the following amount has been transferred to the Bank's capital account with the permission of the BRSA as of 13 June 2018. The rights of preference usage process has been completed and the Bank's capital amounting to full TL 1.535.000.000 has been registered as of 8 August 2018.

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 equity by considering the prior period indicators of income, profitability and liquidity of the Parent Bank and the uncertainties 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 and its subsidiaries 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.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued):

I. Information on shareholders’ equity (Continued):

8. Information on marketable securities valuation reserve:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(19.163)	(13.199)	(2.366)	(143)
Foreign Currency Translation Difference	-	-	-	-
Total	(19.163)	(13.199)	(2.366)	(143)

9. Information on tangible assets revaluation reserve:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	18.075	-	18.075	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	1.413	-	-	-
Total	19.488	-	18.075	-

10. Information on distribution of prior year’s profit:

According to the General Assembly meeting decision on 30 March 2018, the profit of 2017 which to TL 109.848 (TAS 27) is not distributed and it is classified as legal and extraordinary reserves.

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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:

	30 September 2018	31 December 2017
Foreign currency buy/sell commitments	1.504.495	192.283
Loan limit commitments	135.486	149.606
Commitments for cheques	84.494	334.480
Commitments for credit card limits	-	18.777
Capital commitments for subsidiaries	-	14.997
Promotions for the credit cards and their care services	-	8
Total	1.724.475	710.151

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:

	30 September 2018	31 December 2017
Letter of guarantees	2.063.631	1.740.052
Letter of credits	357.600	234.673
Other guarantees	179.983	36.130
Bank acceptance loans	119.706	107.766
Factoring guarantees	-	28
Total	2.720.920	2.118.649

ii. Revocable, irrevocable guarantees, contingencies and other similar guarantees:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Irrevocable letters of guarantee	640.272	465.808	643.291	396.530
Revocable letters of guarantee	25.119	43.834	56.429	26.916
Letters of guarantee given in advance	25.637	268.889	7.571	157.427
Guarantees given to customs	19.591	73.432	29.024	70.284
Other letters of guarantee	10.529	490.520	19.740	332.840
Total	721.148	1.342.483	756.055	983.997

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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:

	30 September 2018	31 December 2017
Non-cash loans given against cash loans	666.351	378.095
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	666.351	378.095
Other non-cash loans	2.054.569	1.740.554
Total	2.720.920	2.118.649

ii. Information on non-cash loans classified in 1st and 2nd group:

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	694.271	1.308.269	19.672	33.565
Acceptance and Acceptance Loans	-	119.706	-	-
Letters of Credit	-	356.579	-	1.021
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	179.983	-	-
Total	694.271	1.964.537	19.672	34.586

(*) In addition to non-cash loans stated above, the Bank has non-cash loans classified as non-performing loans, amounting to TL 7.854. As of 30 September 2018, the Bank has recorded a TL 2.379 provision regarding these risks.

b. Information on contingent assets and contingent liabilities:

As of 30 September 2018, the total amount of legal cases against the Bank is TL 58.830 (31 December 2017: TL 57.174) and the Bank sets aside a provision of TL 6.913 (31 December 2017: TL 6.936) 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 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.

c. Brief information on the Bank’s rating given by International Rating Institutions:

FITCH (23 October 2018)

Outlook	Negative
Long Term FC	BB-
Short Term FC	B
Long Term TL	BB
Short Term TL	B
Support Rating	3
National Rating	AA(tur)
Viability Note	b

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans:

	30 September 2018		30 September 2017	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-term Loans	417.409	25.369	265.587	11.311
Medium/Long-term Loans	377.193	379.498	266.116	267.763
Interest on Loans Under Follow-up	3.341	-	3.274	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	797.943	404.867	534.977	279.074

(*) Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

	30 September 2018		30 September 2017	
	TL	FC	TL	FC
From the CBRT	57.474	-	11.082	-
From Domestic Banks	14.316	1.015	10.059	841
From Foreign Banks	-	1.528	-	28
Headquarters and Branches Abroad	-	-	-	-
Total	71.790	2.543	21.141	869

3. Information on interest income on marketable securities:

	30 September 2018		30 September 2017	
	TL	FC	TL	FC
From Trading Financial Assets	594	552	2.374	142
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	19.883	4.995	18.895	5.088
From Held-to-Maturity Investments	-	8.120	-	5.409
Total	20.477	13.667	21.269	10.639

4. Information on interest income received from investments in associates and subsidiaries:

	30 September 2018	30 September 2017
Interest Received From Investments in Associates and Subsidiaries	3.317	1.520

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

b. Information on interest expense:

1. Information on interest expense on borrowings:

	30 September 2018		30 September 2017	
	TL	FC	TL	FC
Banks	1.324	191.093	1.318	93.821
The CBRT	-	-	-	-
Domestic Banks	1.324	1.589	1.318	819
Foreign Banks	-	189.504	-	93.002
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	11.673	-	9.140
Total (*)	1.324	202.766	1.318	102.961

(*) Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries:

	30 September 2018	30 September 2017
Interest Paid to Investment in Associates and Subsidiaries	5.288	2.584

3. Interest expense on issued marketable securities:

	30 September 2018	30 September 2017
Interest expense on issued marketable securities	-	-

4. Information on interest rate and maturity structure of deposits:

Current Period	Demand Deposit	Time Deposit					Accum. Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Currency								
Bank Deposits	-	164	-	-	-	-	-	164
Savings Deposits	-	53.787	316.917	15.339	9.986	5.830	-	401.859
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	11.144	31.321	1.535	2.285	10.621	-	56.906
Other Deposits	-	225	6.880	193	743	494	-	8.535
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Total	-	65.320	355.118	17.067	13.014	16.945	-	467.464
Foreign Currency								
Foreign Currency Account	-	10.138	136.113	14.617	6.297	1.018	-	168.183
Bank Deposits	-	7.608	-	-	-	-	-	7.608
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	17.746	136.113	14.617	6.297	1.018	-	175.791
Sum Total	-	83.066	491.231	31.684	19.311	17.963	-	643.255

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

c. Information on trading loss/income (Net):

	30 September 2018	30 September 2017
Income	27.647.356	12.808.825
Capital Market Transactions	5.094	8.038
Derivative Financial Transactions	329.407	48.927
Foreign Exchange Gains	27.312.855	12.751.860
Loss (-)	27.576.186	12.803.123
Capital Market Transactions	3.700	4.164
Derivative Financial Transactions	302.962	41.836
Foreign Exchange Losses	27.269.524	12.757.123
Net Income/Loss	71.170	5.702

d. Information on other operating income:

As of 30 September 2018, the Bank’s other operating income is TL 12.955 (30 September 2017: TL 9.197). TL 2.791 (30 September 2017: TL 4.125) 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.

e. Provision expenses related to loans and other receivables of the Bank:

	30 September 2018
Expected Credit Loss	187.699
12 Month Expected Credit Loss (Stage 1)	48.299
Significant Increase in Credit Risk (Stage 2)	55.865
Non-performing Loans (Stage 3)	83.535
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
Total	187.699

	30 September 2017
Specific Provisions for Loans and Other Receivables	48.040
III. Group Loans and Receivables	4.007
IV. Group Loans and Receivables	(8.497)
V. Group Loans and Receivables	52.530
General Provision Expenses	2.990
Provision Expense for Possible Risks	13.990
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	65.020

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

f. Information related to other operating expenses:

	30 September 2018
Personnel Expenses (**)	122.682
Reserve For Employee Termination Benefits (*)	4.526
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Amortization Expenses of Fixed Assets	7.287
Impairment Expenses of Intangible Assets	-
Amortization Expenses of Intangible Assets	8.278
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	1.032
Amortization Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	86.486
Operational Lease Expenses	23.371
Maintenance Expenses	1.485
Advertising Expenses	1.535
Other Expense	60.095
Loss on Sales of Assets	253
Other	21.487
Total	252.031

(*) As of 30 September 2018, “the employee vacation fee provision expense” is TL 564 (30 September 2017: TL 386).

(**) The personnel expenses amount has been presented on a separate row on the income statement.

	30 September 2017
Personnel Expenses	108.856
Reserve For Employee Termination Benefits	4.493
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Depreciation Expenses of Fixed Assets	6.904
Impairment Expenses of Intangible Assets	-
Amortization Expenses of Intangible Assets	6.989
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	76
Depreciation Expenses of Assets Held for Resale	46
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	73.878
Operational Lease Expenses	21.711
Maintenance Expenses	637
Advertising Expenses	740
Other Expenses	50.790
Loss on Sales of Assets	471
Other	18.913
Total	220.626

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

g. 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 183.196 (30 September 2017: TL 81.726).

h. 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 30 September 2018, the Bank has no current tax income/expense and deferred tax expense amounting to TL 36.491.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

The Bank has TL 106.218 deferred tax income from temporary differences and TL 101.491 tax income from carried financial loss. The bank also has deferred tax expense from closed temporary differences amounting to TL 244.200, deferred tax expense and income net-off to TL 36.491 deferred tax expense.

3. Information on recognition of temporary difference, financial loss, diminution of tax and exceptions on income statement:

As of 30 September 2018, the Bank has TL 137.982 (30 September 2017: TL 15.717) deferred tax expense arising from temporary differences and deferred tax income from carried financial loss belonging to the prior period amounting to TL101.491 (30 September 2017: None).

i. 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/loss from continuing operations.

j. 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.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued):

k. Information on other income and expenses:

1. Interest income amounts to TL 1.646.067 (30 September 2017: TL 1.053.152) and TL 286.252 (30 September 2017: TL 168.792) of this amount is classified as "Other Interest Income" in the income statement of Bank in the current period.

	30 September 2018	30 September 2017
Other Interest Income		
Interest Income Related to Derivative Transactions	279.783	166.027
Other	6.469	2.765
Total	286.252	168.792

2. Interest expense amounts to TL 1.148.012 (30 September 2017: TL 733.885), TL 294.130 (30 September 2017: TL 216.005) of this amount is classified as "Other Interest Expense" in the income statement of Bank in the current period.

	30 September 2018	30 September 2017
Other Interest Expense		
Interest Expense Related to Derivative Transactions	281.622	214.700
Other	12.508	1.305
Total	294.130	216.005

3. As of 30 September 2018, the Bank's fee and commission income amounts to TL 31.072 (30 September 2017: TL 29.875) and TL 14.785 (30 September 2017: TL 16.211) the related amount is classified under "Other" account.

	30 September 2018	30 September 2017
Other Fee and Commissions Received		
Insurance Commissions	6.556	4.432
Account Operating Fees	2.066	1.364
Commissions on Investment Fund Services	558	106
Commissions from Correspondent Banks	482	362
Transfer Commissions	463	613
Credit Card and POS Transaction Commission	182	386
Common Point Commissions	84	78
Letter of Credit Commissions	8	6
Other	4.386	8.864
Total	14.785	16.211

4. As of 30 September 2018, Bank's fee and commission expense amounts to TL 11.794 (30 September 2017: TL 5.670) and TL 11.750 (30 September 2017: TL 5.640) of the related amount is classified under "Other" account.

	30 September 2018	30 September 2017
Other Fee and Commissions Given		
Credit Card Transaction Commission	1.847	1.916
Commissions Granted to Correspondent Banks	1.067	892
EFT Commissions	566	597
Common Point Commissions	393	301
Transfer Commissions	121	71
Other	7.756	1.863
Total	11.750	5.640

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued):**

V. 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 2017 for balance sheet items and as at 30 September 2017 for income statements items.

30 September 2018:

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	21.693	12.963	-	-	27	15.429
Balance at the End of the Period	21.854	9.186	-	22.212	188	87
Interest and Commission Income Received	3.317	70	-	-	15	-

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	1.520	89	-	-	11	-

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	55.644	61.164	6.357	5.656	24.791	26.005
End of the Period	146.236	55.644	5.424	6.357	31.148	24.791
Interest Expense on Deposits	5.288	2.584	-	-	1.221	1.331

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)

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(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 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 (*)	806.971	307.337	-	-	-	-
Balance at the end of the period (*)	1.686.450	806.971	-	-	-	-
Total Profit/Loss	2.908	12.753	-	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*) The information in the table above shows the total amount of "buy".

b. With respect to the Bank's risk group:

1. 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.
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	4.224.585	57,76
Banks and Other Institutions	446.425	82,91
Deposit	182.808	1,50
Non-cash loans	31.485	1,16
Loans	22.042	0,13

As of 30 September 2018, the Bank has realized interest income from deposits given to banks included in the risk group amounting to TL 1.007 (30 September 2017: None), the Bank has realized interest expense amounting to TL 118.450 (30 September 2017: TL 69.687) 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)

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued):

V. 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 313 (30 September 2017: TL 261) from Burgan Finansal Kiralama A.Ş., TL 689 (30 September 2017: TL 211) from Burgan Yatırım Menkul Değerler A.Ş as other operating income and the Bank has TL 142 (30 September 2017: TL 111) from Burgan Finansal Kiralama A.Ş. as other operating expense.

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 0,28% (30 September 2017: 0,73%) of the Bank’s total cash and non-cash loans.

As of 30 September 2018 there are no purchase-sales transactions on any assets including real estate with the risk group consisting the Bank.

As of 30 September 2018 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 16.715 (30 September 2017: TL 14.117) which include total gross salary, travel, meal, health, life insurance and other expenses.

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

The Board of Directors of Burgan Wealth Limited, the indirect subsidiary of the Bank, requested the cancellation of its license by applying to Dubai Financial Services Authority (DFSA) to begin the liquidation of Burgan Wealth Limited on 10 October 2018.

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION SIX

EXPLANATIONS ON THE INDEPENDENT LIMITED REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT

The unconsolidated financial statements as of 30 September 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited) and the auditor’s independent limited review report dated 15 November 2018 has been presented prior to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

I. EVALUATIONS FOR THE OPERATING PERIOD AND EXPECTATIONS FOR THE FUTURE BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER:

The global economy continues to expand steadily since mid-2016, though the expansion has become less synchronized across countries as of 2018. The momentum in US economy remains strong thanks to the fiscal stimulus, while economic activity in Europe, Japan and China have lost some momentum. On the other hand, the tariffs imposed on US imports from China and rising trade barriers are likely to weigh on global activity, particularly on advanced economies, as of 2019. According to the IMF World Economy Report released in October, global economy is projected to grow by 3,7% in 2019, similar to the performance in 2018. In the United States, growth is expected to slow down towards 2,5% in 2019, after having hit 2,9% in 2018. Similarly, growth rates in EU and China is expected to decelerate 1,9% and 6,2% in 2019, respectively. The growth has also become more uneven among emerging market economies due to rising oil prices. The Federal Reserve raised the target range of federal funds rate to 2,00-2,25% in September, and signalled one additional hike in the remainder of 2018 and three in 2019. However, the path of interest rate increases that markets anticipate is less steep than projected by the Federal Reserve, posing risks for financial markets in the upcoming period.

In Turkey, the financial turmoil in August has also repercussions on macroeconomic picture. The deterioration of emerging-market perception in global markets, developments in foreign politics, rising current account deficit and high level corporate debt have triggered outflows from Turkish assets in 3Q18. The Turkish Lira depreciated by 25% in August; the yields on TRY-denominated 10-year government bond rose as high as 22%; and Turkey’s 5-year CDS – an indicator for the country’s risk premium-exceeded 500 levels. However, financial indicators have recovered to some extent in September and October on the back of measures taken by the government and authorities as well as waning tension in foreign politics.

After having simplified and tightened the monetary policy gradually since the beginning of the year, the Central Bank of Turkey (CBT) boldly raised the policy rate by 625bps to 24% in September in a bid to tame inflation expectations. Hence, the weighted average funding rate increased by 11,25pp so far in 2018.

In September, the government announced the New Economy Program entitled “Balance, Discipline, Transformation” which incorporates revised macroeconomic targets and policies for 2019-2021 period. Under the target of “Balance”, the government revised its GDP growth targets down to 3,8%, 2,3% and 3,5% for 2018, 2019 and 2020, respectively. Under the target of “Discipline”, the program-defined public sector deficit is planned to improve to 0,2% of GDP in 2019 from 2,1% of GDP in 2018, owing to slower budget expenditures. In accordance with these targets, the government projects annual inflation to decelerate towards 15,9% by end-2019, from 20,8% by end-2018, and current account deficit-to-GDP ratio to decline to 3,3% by end-2019, from 4,7% by end-2018.

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

I. EVALUATIONS FOR THE OPERATING PERIOD AND EXPECTATIONS FOR THE FUTURE BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER (Continued):

The Turkish economy expanded by 5,2% yoy in 2Q18. Adjusted for working days and seasonality, the data suggest 0,9% qoq expansion, implying a deceleration in growth path following six quarters of high growth rates. The growth has been driven by strong private consumption, where private consumption rose 6,3% yoy. Exports of goods and services increased by 4,5% yoy thanks to buoyant tourism sector and solid export performance, while the increase in imports of goods and services slowed down to 0,3% yoy. Thus, the contribution of net exports to the headline growth has turned positive. Leading indicators signal a marked slowdown in economic activity as of 3Q18 due to increased volatility in financial markets and tighter financial conditions. Industrial production lost pace towards 1,7% yoy growth in August. Purchasing Managers Index (PMI) declined to 9-years low of 42,7 in September, indicating further deterioration in manufacturing outlook. Consumer confidence has also dropped to the lowest levels since 2009, while the 13-week annualized data suggest a contracting trend in total loans. Under this framework, Turkish economy is estimated to grow by 3,0-3,5% in 2018.

In parallel to the slowdown in economic activity, current account deficit ceased to expand as of 2Q18 and current account has produced a surplus of US\$2.6bn in August. Exports rose 9% yoy on average in July-August period, while imports have contracted by 15% yoy. Tourism revenues were up by 12% yoy in August. Year-to-date, tourist arrivals increased by 23% yoy to 27 million and tourism receipts reached US\$17.4bn with 23% yoy rise. Thus, 12-months rolling current account deficit declined to US\$51.1bn as of August, from the peak of US\$58.3bn in May. Current account deficit is expected to decline further towards US\$40bn by year-end 2018.

On the other hand, inflation continue to accelerate as of 3Q18. The massive depreciation of Turkish Lira, heightened FX pass-through and deterioration in pricing behaviour led annual inflation to climb as high as 24,5% in September, the highest reading since 2003. Similarly, producer inflation jumped to 46% in September. According to the latest expectations survey by the CBT, inflation expectation for YE18 hit 24,2%, while 1-year and 2-years forward looking inflation expectation rose further to 17% and 12,7%, respectively. The government announced an “Anti-inflation Program” in October, including a minimum 10% reduction in product prices by companies that voluntarily participate in the campaign. Annual inflation is expected to decelerate slightly in the remainder of the year, depending on the size of participation in the Anti-inflation campaign, the sustainability of the recent appreciation of TRY and slowdown in economic activity.

In the coming period, the tightening cycle of the Federal Reserve, policies to affect global trade, the economic and political developments in Italy and Europe, as well as details of the policies underlined in the New Economic Program, the course of inflation and monetary policy, and political developments ahead of local elections in March 2019 will be followed closely.

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

I. EVALUATIONS FOR THE OPERATING PERIOD AND EXPECTATIONS FOR THE FUTURE BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER (Continued):

The unconsolidated balance sheet size of our bank dated 30 September 2018 is TL 23.508.185, while the unconsolidated deposit total is TL 12.192.531. In the current period Burgan Bank has maintained its support to its customers uninterruptedly and net cash loans and factoring receivables total has been realized as TL 16.390.564. Our unconsolidated equities have been realized as TL 1.929.151 due to the capital increase in the year, while our unconsolidated capital adequacy ratio is 23,41%. Our Bank has made a net profit of TL 146.705 in the third quarter of 2018. We will continue to render our services in 16 cities through improving our relations with our current customers besides gaining new customers.

We believe that our Bank will reach its future targets easily with the support and guidance of our shareholders and board of directors. We would like to take this opportunity to thank our customers, employees and investors for their valuable contributions, trusts to Burgan brand and their loyalty.

Ali Murat DİNÇ
Member of Board of Directors and General Manager

Faisal M.A. Al Radwan
Chairman of Board of Directors

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

II. NAMES AND SURNAMES, DUTY TERMS, FIELDS OF RESPONSIBILITIES, EDUCATIONAL BACKGROUNDS, PROFESSIONAL EXPERIENCES OF MEMBERS AND CHAIRMAN OF BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, GENERAL MANAGER AND DEPUTY GENERAL MANAGERS AND MANAGERS OF DEPARTMENTS WITHIN THE SCOPE OF INTERNAL SYSTEMS:

<u>Name</u>	<u>Duty</u>	<u>Date of Assignment</u>	<u>Educational Background</u>	<u>Banking and Managership Experience (Year)</u>
Chairman and Members of Board of Directors: (*)				
Faisal M.A. Al Radwan	Chairman	12.09.2018	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	Post graduate	22
Adrian Alejandro Gostuski	Member	21.12.2012	Post graduate	35
Mehmet Alev Göçmez	Member	23.01.2013	Post graduate	33
Halil Cantekin	Member	30.03.2015	Bachelor’s degree	31
Osama T. Al Ghousein	Member	25.06.2014	Bachelor’s degree	33
Ali Murat Dinç	Member and General Manager	03.02.2014	Post graduate	21
General Manager				
Ali Murat Dinç	Member and General Manager	03.02.2014	Post graduate	21
Deputy General Managers: (**)				
Esra Aydın	Operation & Management Services	01.08.2007	Bachelor’s degree	16
Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	08.08.2007	Post graduate	11
Hüseyin Cem Öge	Corporate Banking	22.08.2007	Post graduate	13
Cihan Vural	Internal Systems	03.11.2008	Bachelor’s degree	13
Rasim Levent Ergin	Human Resources	01.11.2012	Post graduate	17
Suat Kerem Sözügüzel	Commercial & SME banking	01.04.2014	Bachelor’s degree	17
Hasan Hüseyin Uyar	Loans	01.04.2014	Post graduate	27
Tuba Onay Ergelen	Financial Affairs (represent by proxy)	08.11.2018	Bachelor’s degree	18

(*) The Chairman of the Board of Directors, Mehmet Nazmi Erten, resigned from this position on 12 September 2018 and Vice Chairman Faisal M.A. Al Radwan was elected as the Chairman of Board of Directors on the same date.

(**) The Vice General Manager of Financial Affairs, Mehmet Yalçın, resigned from this position on 2 November 2018, Tuba Onay Ergelen, Head of Strategic Planning and Corporate Communications Group, represents by proxy in this position.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2018

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

III. INFORMATION ON ACTIVITIES OF COMMITTEES ESTABLISHED LINKED TO BOARD OF DIRECTORS OR IN ORDER TO ASSIST BOARD OF DIRECTORS IN THE FRAMEWORK OF RISK MANAGEMENT SYSTEMS IN ACCORDANCE WITH THE REGULATION ON CREDIT COMMITTEE AND INTERNAL SYSTEMS OF THE BANK AND NAMES, SURNAMES AND FUNDAMENTAL DUTIES OF CHAIRMAN AND MEMBERS ASSIGNED IN AFOREMENTIONED COMMITTEES:

Faisal M.A.Al Radwan, chairman of Board of Directors, performs the duty of chairmanship of Credit Committee. The members of the aforementioned committee are Ali Murat Dinç, General Manager of the Bank, and Eduardo Eguren Linsen, members of Board of Directors. Mehmet Alev Göçmez and Adrian Alejandro Gostuski, who are also members of Board of Directors, are substitute members of the Committee.

Halil Cantekin has been elected as the Chairman of the Audit Committee while Adrian Alejandro Gostuski and Osama T. Al Ghousein have been elected as members of the Audit Committee.

Adrian Alejandro Gostuski has been elected as the Chairman of the Risk Committee while Majed E.A.A. Al Ajeel and Osama T. Al Ghousein have been elected as members of the Risk Committee.

IV. EVALUATIONS OF AUDIT COMMITTEE REGARDING INTERNAL CONTROL, INTERNAL AUDIT AND OPERATION OF RISK MANAGEMENT SYSTEMS AND INFORMATION ON THEIR ACTIVITIES WITHIN THE ACCOUNTING PERIOD:

The principal duty of Burgan Bank A.Ş. Audit Committee is to provide assistance to the Board of Directors of the Bank in order to fulfil its supervision responsibility related to the Bank and its consolidated affiliates through examining financial information which shall be presented to shareholders, ensuring the effectiveness, adequateness and efficiency of internal systems established by the management and Board of Directors and monitoring audit process. There is no change in the period related to activities of the Audit Committee.

V. SIGNIFICANT EVENTS AND TRANSACTIONS WITHIN THE PERIOD:

Board of Directors' decisions dated 03 October 2018, increase the registered capital of the Bank from TL 2 million to TL 4 million and BRSA permission was obtained on 17 October 2018. The legal process is ongoing.

The Board of Directors of Burgan Wealth Limited, the indirect subsidiary of the Bank, requested the cancellation of its license by applying to Dubai Financial Services Authority (DFSA) to begin the liquidation of Burgan Wealth Limited on 10 October 2018.

There is no significant change related to information except the explanations including numeric disclosures in financial statements included in the annual activity report prepared in accordance with the Regulation on Procedures and Principals related to Preparation and Publication of Activity Report.

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

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued):

VI. SUMMARY FINANCIAL INFORMATION RELATED TO ACTIVITY RESULTS OF ACCOUNTING PERIOD:

	30.09.2018	31.12.2017	Change (%)
Total Assets	23.508.185	16.807.309	39,9
Loans and Factoring Receivables (Net)	16.390.564	13.262.537	23,6
Securities	684.628	424.026	61,5
Deposits	12.192.531	8.928.115	36,6
Debts Having Loan Characteristics	7.506.071	5.558.646	35,0
Shareholder’s Equity	1.929.151	1.512.475	27,5
Guarantee and Suretyship	2.720.920	2.118.649	28,4
Capital Adequacy Ratio	23,41%	19,60%	19,4

	01/01/2018	01/01/2017	01/07/2018	01/07/2017
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Current Period Net Profit/(Loss)	146.705	65.562	44.642	20.481

VII. DISCLOSURE RELATED TO PERSONNEL AND BRANCH NUMBER, SERVICE TYPE OF THE BANK AND ACTIVITY SUBJECTS AND EVALUATION OF THE POSITION OF THE BANK IN THE SECTOR BASED UPON AFOREMENTIONED ITEMS:

The Bank provides high value added banking services and products in corporate, commercial, individual, financial leasing with private banking and investment banking areas with a total of 41 branches, including 9 retail, 1 corporate and 31 mixed banking branches, internet banking applications, call center and 986 employees.

Indicators related to shares of the Bank in the sector with respect to base quantities are as follows:

30 September 2018

Million TL	Burgan Bank	Sector (*)	Share of our Bank (%)
Cash Loans	15.754	2.587.666	0,61
Customer Deposits	12.013	2.136.570	0,56
Branch Number	41	10.505	0,39
Personnel Number	986	193.343	0,51

(*) Reference BRSA and The Banks Associations of Turkey.