

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

BURGAN BANK A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
TOGETHER WITH INDEPENDENT AUDIT REPORT AT 31
DECEMBER 2018**

Convenience Translation of the Auditor's Report Originally Issued in Turkish (See Note I in Section Three)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Burgan Bank Anonim Şirketi:

A) Audit of Unconsolidated Financial Statements

1) Opinion

We have audited the accompanying unconsolidated financial statements of Burgan Bank A.Ş (the "Bank") which comprise the statement of financial position as at December 31, 2018, and the unconsolidated statement of income, unconsolidated statement of income and expenses recognized under shareholders' equity, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended and notes to the unconsolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2018 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2) Basis for Opinion

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

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<p><i>The effects of First-time adaptation of “IFRS 9 Financial Instruments” standard in the financial statements and accounting of impairment of financial assets in the financial statements, and its related outstanding explanations</i></p>	
<p>As disclosed in footnote XXIX of Section 3; the Bank started implementing IFRS 9 “Financial Instruments Standard” effective on or after January 1, 2018 and accounting the expected credit losses of financial in accordance with this standard in the financial statements effective on or after this date. The reasons we consider the IFRS 9 transition and its impairment of financial assets as a key audit matter;</p> <ul style="list-style-type: none"> ▪ Financial assets within balance-sheet and off-balance-sheet subject to IFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The effect of IFRS 9 transition in the Bank’s equity is 12% ▪ The applications IFRS 9 introduced are complex and comprehensive ▪ The classification of financial instruments based on the Bank’s business models and the characteristics of contractual cash flows in line with IFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized together with the adoption of IFRS 9 ▪ Estimations and assumptions used for expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of IFRS 9. 	<p>Our additional audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> ▪ Evaluation of the compliance of the accounting policies adopted with regard to IFRS 9, the Bank’s past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank’s business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process ▪ Auditing of disclosures related to IFRS 9.

<i>Derivative Financial Instruments</i>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Section Five Note I.b.2.and Note II.b.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Bank management fair value calculations of the selected derivative financial instruments and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.</p>

4) *Responsibilities of Management and Directors for the Unconsolidated Financial Statements*

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

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

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

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

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

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

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 - December 31, 2018 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Additional paragraph for convenience translation to English

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

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



February 28, 2019
İstanbul, Türkiye

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

**THE UNCONSOLIDATED FINANCIAL AUDIT REPORT OF
BURGAN BANK A.Ş. AS OF 31 DECEMBER 2018**

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

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

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

28 February 2019

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
(Represent by proxy)

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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TABLE OF CONTENTS

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

	PAGE
I. Bank's foundation date, start-up statute, history about the changes in this mentioned statute	3
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	4
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	5
IV. Explanation on shareholders having control shares	6
V. Information on the Bank's service type and field of operations	6
VI. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the parent bank and its subsidiaries	6

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK

I. Balance sheet (Statement of financial position)	8
II. Statement of off-balance sheet contingencies and commitments	12
III. Income statement	13
IV. Statement of income and expense items accounted in equity	15
V. Statement of changes in shareholders' equity	17
VI. Statement of cash flows	19
VII. Profit appropriation statement	21

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of presentation	22
II. Explanations on strategy of using financial instruments and foreign currency transactions	24
III. Explanations on investments in associates, subsidiaries and joint ventures	24
IV. Explanations on forward transactions, options and derivative instruments	25
V. Explanations on interest income and expense	26
VI. Explanations on fee and commission income and expense	26
VII. Explanations on financial assets	26
VIII. Explanations on expected credit losses	28
IX. Explanations on offsetting financial assets	29
X. Explanations on sales and repurchase agreements and securities lending transactions	30
XI. Explanations on tangible assets held for resale, discontinued operations and liabilities regarding those assets	30
XII. Explanations on goodwill and other intangible assets	30
XIII. Explanations on property and equipment	31
XIV. Explanations on leasing transactions	31
XV. Explanations on provisions and contingent commitments	32
XVI. Explanations on contingent assets	32
XVII. Explanations on obligations related to employee rights	32
XVIII. Explanations on taxation	33
XIX. Explanations on borrowings	34
XX. Explanations on issuance of share certificates	34
XXI. Explanations on avalized drafts and acceptances	34
XXII. Explanations on government grants	34
XXIII. Explanations on profit reserves and profit distribution	34
XXIV. Explanations on earnings per share	35
XXV. Explanations on related parties	35
XXVI. Explanations on cash and cash equivalents	35
XXVII. Explanations on segment reporting	35
XXVIII. Reclassifications	35
XXIX. Disclosures of IFRS 9 financial instruments standard	36
XXX. Explanations on prior period accounting policies not valid for the current period	39

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on equity	42
II. Explanations on credit risk	47
III. Explanations on risk management	62
IV. Explanations on operational risk	89
V. Explanations on currency risk	90
VI. Explanations on interest rate risk	92
VII. Explanations on share certificate position risk	96
VIII. Explanations on liquidity risk management and liquidity coverage ratio	97
IX. Explanations on leverage ratio	105
X. Explanations on hedge transactions	106
XI. Explanation regarding the presentation of financial assets and liabilities at their fair values	107
XII. Explanation on the activities carried out on behalf and account of other parties	109
XIII. Explanations on operating segments	109

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and notes related to assets	111
II. Explanations and notes related to liabilities	128
III. Explanations and notes related to off-balance sheet accounts	138
IV. Explanations and notes related to income statement	141
V. Explanations and notes related to changes in shareholder's equity	148
VI. Explanations and notes related to statement of cash flows	149
VII. Explanations and notes related to Bank's risk group	150
VIII. Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the Bank	153
IX. Explanations and notes related to subsequent events	153

SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to Bank's operations	154
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SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. Explanations on independent audit report	154
II. Explanations and notes prepared by independent auditor	154

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 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.

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BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 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 4 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.

The upper limit of registered capital of 2 billion TL has increased to 4 billion TL as a decision of Board of Directors in 3 October 2018. Change of the upper limit of registered capital was executed with the permission of BRSA in 17 November 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).

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BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 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 Markets and Financial Institutions	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	Undergraduate
	Hasan Ufuk Dinç	(represent by proxy) Digital Banking and Information Technologies	Graduate
Audit Committee:	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Osama T. Al Ghoussein	Member	Undergraduate

(*) 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. Hasan Ufuk Dinç was appointed as Executive Vice President in charge of Digital Banking and Information Technologies on 19 November 2018. Hüseyin Cem Öge, Executive Vice President in charge of Corporate Banking, resigned from his position on 6 February 2019 and Suat Kerem Sözügüzel has been assigned to the Corporate Banking Group Assistant General Manager.

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

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BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 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 31 December 2018, the Bank, whose headquarter located in İstanbul, 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 31 December 2018, the Bank has 1.006 (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
- VII. Profit Appropriation Statement

(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 2018

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (Net)		2.484.301	2.244.130	4.728.431
1.1 Cash and cash equivalents		1.376.293	1.564.570	2.940.863
1.1.1 Cash and balances at Central Bank	I-a	1.373.256	1.373.138	2.746.394
1.1.2 Banks	I-c	3.037	191.432	194.469
1.1.3 Receivables from Money Markets		-	-	-
1.2 Financial assets at fair value through profit or loss	I-b	1.036	11.654	12.690
1.2.1 Public debt securities		1.036	10.938	11.974
1.2.2 Equity instruments		-	-	-
1.2.3 Other financial assets		-	716	716
1.3 Financial assets at fair value through other comprehensive income	I-d	254.318	134.287	388.605
1.3.1 Public debt securities		248.906	134.287	383.193
1.3.2 Equity instruments		4.912	-	4.912
1.3.3 Other financial assets		500	-	500
1.4 Financial assets measured at amortized cost	I-g	-	236.801	236.801
1.4.1 Public debt securities		-	236.801	236.801
1.4.2 Other financial assets		-	-	-
1.5 Derivative financial assets	I-n	853.104	296.818	1.149.922
1.5.1 Derivative financial assets at fair value through profit or loss		197.765	283.466	481.231
1.5.2 Derivative financial assets at fair value through other comprehensive income		655.339	13.352	668.691
1.6 Non-performing financial assets		-	-	-
1.7 Allowance for expected credit losses (-)		450	-	450
II. LOANS (Net)	I-e	5.433.477	8.652.281	14.085.758
2.1 Loans		4.990.810	8.999.987	13.990.797
2.1.1 Loans measured at amortized cost		4.990.810	8.999.987	13.990.797
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		686.449	-	686.449
2.5 Allowance for expected credit losses (-)	I-e	243.789	347.706	591.495
2.5.1 12-Month expected credit losses (Stage 1)		18.345	74.897	93.242
2.5.2 Significant increase in credit risk (Stage 2)		30.697	272.809	303.506
2.5.3 Credit-Impaired (Stage 3)		194.747	-	194.747
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)	I-r	113.090	-	113.090
3.1 Held for sale		113.090	-	113.090
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		381.091	-	381.091
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	381.091	-	381.091
4.2.1 Non-consolidated financial subsidiaries		381.091	-	381.091
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)	I-l	58.454	-	58.454
VI. INTANGIBLE ASSETS AND GOODWILL (Net)	I-m	44.058	-	44.058
6.1 Goodwill		-	-	-
6.2 Other		44.058	-	44.058
VII. INVESTMENT PROPERTIES (Net)	I-o	-	-	-
VIII. CURRENT TAX ASSETS		10.294	-	10.294
IX. DEFERRED TAX ASSETS	I-p	-	-	-
X. OTHER ASSETS	I-s	100.865	59.358	160.223
TOTAL ASSETS		8.625.630	10.955.769	19.581.399

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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 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-f	-	171.218	171.218
8.1	Government Debt Securities			171.218	171.218
8.2	Other Marketable Securities				
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-g	-	-	-
9.1	Consolidated Based on Equity Method				
9.2	Unconsolidated				
9.2.1	Financial Investments in Associates				
9.2.2	Non-financial Investments in Associates				
X.	SUBSIDIARIES (Net)	I-h	256.972	-	256.972
10.1	Unconsolidated Financial Subsidiaries		256.972		256.972
10.2	Unconsolidated non-Financial Subsidiaries				
XI.	JOINT VENTURES (Net)	I-i	-	-	-
11.1	Consolidated Based on Equity Method				
11.2	Unconsolidated				
11.2.1	Financial Joint Ventures				
11.2.2	Non-financial Joint Ventures				
XII.	LEASE RECEIVABLES (Net)	I-j	-	-	-
12.1	Financial Lease Receivables				
12.2	Operational Lease Receivables				
12.3	Other				
12.4	Unearned Income (-)				
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	I-k	257.159	5.708	262.867
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)	I-l	55.377	-	55.377
XV.	INTANGIBLE ASSETS (Net)	I-m	45.085	-	45.085
15.1	Goodwill				
15.2	Other		45.085		45.085
XVI.	INVESTMENT PROPERTY (Net)	I-n	-	-	-
XVII.	TAX ASSET	I-o	-	-	-
17.1	Current Tax Asset				
17.2	Deferred Tax Asset				
XVIII.	ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	I-p	45.085	-	45.085
18.1	Held for Resale		45.085		45.085
18.2	Discontinued Operations				
XIX.	OTHER ASSETS	I-r	64.651	43.415	108.066
	TOTAL ASSETS		7.823.053	8.984.256	16.807.309

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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 BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)

AT 31 DECEMBER 2018

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2018)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	II-a	4.226.304	5.834.151	10.060.455
II. LOANS RECEIVED	II-c	14.067	4.299.722	4.313.789
I. MONEY MARKET FUNDS			171.306	171.306
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	II-b	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-g	305.188	97.237	402.425
7.1 Derivative financial liabilities at fair value through profit or loss		245.286	86.866	332.152
7.2 Derivative financial liabilities at fair value through other comprehensive income		59.902	10.371	70.273
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	58.438	26.497	84.935
10.1 Provision for restructuring		-	-	-
10.2 Reserves for employee benefits		42.292	-	42.292
10.3 Insurance technical reserves (Net)		-	-	-
10.4 Other provisions		16.146	26.497	42.643
XI. CURRENT TAX LIABILITIES	II-i	26.620	-	26.620
XII. DEFERRED TAX LIABILITIES	II-i	6.203	-	6.203
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	-	1.599.472	1.599.472
14.1 Loans		-	1.599.472	1.599.472
14.2 Other debt instruments		-	-	-
XV. OTHER LIABILITIES	II-e	177.633	862.581	1.040.214
XVI. SHAREHOLDERS' EQUITY	II-l	1.872.094	3.886	1.875.980
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		16.552	-	16.552
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		60.028	3.886	63.914
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		(12.584)	-	(12.584)
16.6.1 Prior years' profits or losses		(174.343)	-	(174.343)
16.6.2 Current period net profit or loss		161.759	-	161.759
16.7 Minority share		-	-	-
TOTAL EQUITY AND LIABILITIES		6.686.547	12.894.852	19.581.399

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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 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

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BURGAN BANK A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

II. OFF-BALANCE SHEET	Note (Section Five)	(31/12/2018)			(31/12/2017)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		6.589.188	34.330.411	40.919.599	6.645.802	30.744.933	37.390.735
I. GUARANTEES AND WARRANTIES	III-a-2-3	597.086	1.722.881	2.319.967	759.513	1.359.136	2.118.649
1.1 Letters of Guarantee		596.675	1.089.509	1.686.184	756.055	983.997	1.740.052
1.1.1 Guarantees Subject to State Tender Law		10.249	3.643	13.892	7.251	4.124	11.375
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		586.426	1.085.866	1.672.292	748.804	979.873	1.728.677
1.2 Bank Acceptances		411	102.926	103.337	3.430	104.336	107.766
1.2.1 Import Letter of Acceptance		411	102.926	103.337	3.430	104.336	107.766
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	385.116	385.116	-	234.673	234.673
1.3.1 Documentary Letters of Credit		-	385.116	385.116	-	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		-	145.330	145.330	-	36.130	36.130
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	III-a-1	449.255	299.806	749.061	566.692	143.459	710.151
2.1 Irrevocable Commitments		449.255	299.806	749.061	566.692	143.459	710.151
2.1.1 Asset Purchase and Sales Commitments		257.670	299.806	557.476	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		117.343	-	117.343	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		74.242	-	74.242	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	III-b	5.542.847	32.307.724	37.850.571	5.319.597	29.242.338	34.561.935
3.1 Hedging Derivative Financial Instruments		970.803	3.192.279	4.163.082	790.978	2.357.639	3.148.617
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		970.803	3.192.279	4.163.082	790.978	2.357.639	3.148.617
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		4.572.044	29.115.445	33.687.489	4.528.619	26.884.699	31.413.318
3.2.1 Forward Foreign Currency Buy/Sell Transactions		758.167	665.301	1.423.468	776.137	1.127.092	1.903.229
3.2.1.1 Forward Foreign Currency Transactions-Buy		124.973	533.112	658.085	467.722	489.075	956.797
3.2.1.2 Forward Foreign Currency Transactions-Sell		633.194	132.189	765.383	308.415	638.017	946.432
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		1.586.276	23.171.073	24.757.349	1.324.656	19.710.327	21.034.983
3.2.2.1 Foreign Currency Swap-Buy		1.152.608	4.555.379	5.707.987	298.885	4.998.204	5.297.089
3.2.2.2 Foreign Currency Swap-Sell		433.668	5.051.590	5.485.258	1.025.771	4.321.733	5.347.504
3.2.2.3 Interest Rate Swap-Buy		-	6.782.052	6.782.052	-	5.195.195	5.195.195
3.2.2.4 Interest Rate Swap-Sell		-	6.782.052	6.782.052	-	5.195.195	5.195.195
3.2.3 Foreign Currency, Interest rate and Securities Options		2.227.601	5.279.071	7.506.672	2.427.826	6.047.280	8.475.106
3.2.3.1 Foreign Currency Options-Buy		528.333	3.150.835	3.679.168	1.259.407	2.980.038	4.239.445
3.2.3.2 Foreign Currency Options-Sell		1.699.268	2.128.236	3.827.504	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)		37.036.009	43.505.919	80.541.928	34.296.351	26.361.559	60.657.910
IV. ITEMS HELD IN CUSTODY		797.062	385.612	1.182.674	1.552.890	156.878	1.709.768
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		104.449	182.180	286.629	402.489	61.908	464.397
4.3 Cheques Received for Collection		673.437	83.592	757.029	1.126.344	63.782	1.190.126
4.4 Commercial Notes Received for Collection		19.176	22.820	41.996	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		-	97.020	97.020	-	8.188	8.188
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		36.238.947	43.120.307	79.359.254	32.743.461	26.203.434	58.946.895
5.1 Marketable Securities		56.132	-	56.132	1.031	-	1.031
5.2 Guarantee Notes		22.275.449	17.248.376	39.523.825	21.097.082	12.190.553	33.287.635
5.3 Commodity		886.897	660.754	1.547.651	1.022.137	7.706	1.029.843
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		11.509.609	20.785.740	32.295.349	9.986.136	11.113.311	21.099.447
5.6 Other Pledged Items		1.510.860	4.425.437	5.936.297	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)		43.625.197	77.836.330	121.461.527	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
31 DECEMBER 2018**

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

II.	INCOME STATEMENT	Note (Section Five)	01/01/2018-31/12/2018
	INCOME AND EXPENSE ITEMS		
I.	INTEREST INCOME	IV-a	2.367.511
1.1	Interest on loans		1.657.766
1.2	Interest received from reserve deposits		38.792
1.3	Interest received from banks		78.534
1.4	Interest received from money market transactions		76.599
1.5	Interest received from marketable securities portfolio		48.146
1.5.1	Financial assets at fair value through profit or loss		1.318
1.5.2	Financial assets at fair value through other comprehensive income		36.104
1.5.3	Financial assets measured at amortized cost		10.724
1.6	Finance lease income		-
1.7	Other interest income	IV-1	467.674
II.	INTEREST EXPENSES (-)	IV-b	1.729.772
2.1	Interest on deposits		1.008.265
2.2	Interest on funds borrowed		282.136
2.3	Interest on money market transactions		8.367
2.4	Interest on securities issued		-
2.5	Other interest expenses	IV-1	431.004
III.	NET INTEREST INCOME/EXPENSE (I - II)		637.739
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		28.157
4.1	Fees and commissions received		42.958
4.1.1	Non-cash loans		23.474
4.1.2	Other	IV-1	19.484
4.2	Fees and commissions paid (-)		14.801
4.2.1	Non-cash loans (-)		58
4.2.2	Other (-)	IV-1	14.743
V.	PERSONNEL EXPENSES (-)		165.196
VI.	DIVIDEND INCOME	IV-c	700
VII.	TRADING PROFIT/LOSS (Net)	IV-d	66.378
7.1	Profit/losses from capital market transactions		2.328
7.2	Profit/losses from derivative financial transactions		1.132
7.3	Foreign exchange profit/losses		62.918
VIII.	OTHER OPERATING INCOME	IV-e	16.491
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		584.269
X.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	IV-f	239.076
XI.	OTHER OPERATING EXPENSES (-)	IV-g	179.668
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		165.525
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		33.668
XV.	NET MONETARY POSITION GAIN/LOSS		-
XVI.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	IV-h	199.193
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	IV-i	(37.434)
17.1	Current tax provision		-
17.2	Expense effect of deferred tax (+)		129.614
17.3	Income effect of deferred tax (-)		92.180
XVIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	IV-j	161.759
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-k	161.759
24.1	Group's profit/loss		161.759
24.2	Minority shares		-
	Profit/Loss per share (1.000 nominal in TL full)		1,173

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 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 INCOME STATEMENT FOR THE PERIOD ENDED
31 DECEMBER 2017

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

III. INCOME STATEMENT	Note (Section Five)	01/01/2017-31/12/2017
INCOME AND EXPENSE ITEMS		
I. INTEREST INCOME	IV-a	1.445.845
1.1 Interest on Loans		1.132.453
1.2 Interest Received from Reserve Requirements		20.438
1.3 Interest Received from Banks		25.248
1.4 Interest Received from Money Market Transactions		3.152
1.5 Interest Received from Marketable Securities Portfolio		39.338
1.5.1 Trading Financial Assets		2.709
1.5.2 Financial Assets at Fair Value through Profit or Loss		-
1.5.3 Available-for-sale Financial Assets		29.327
1.5.4 Held-to-maturity Investments		7.302
1.6 Financial Lease Income		-
1.7 Other Interest Income	IV-1	225.216
II. INTEREST EXPENSE (-)	IV-b	1.002.944
2.1 Interest on Deposits		567.753
2.2 Interest on Funds Borrowed		154.908
2.3 Interest Expense on Money Market Transactions		12.660
2.4 Interest on Securities Issued		-
2.5 Other Interest Expenses	IV-1	267.623
III. NET INTEREST INCOME (I + II)		442.901
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		31.016
4.1 Fees and Commissions Received		39.499
4.1.1 Non-cash Loans		18.450
4.1.2 Other	IV-1	21.049
4.2 Fees and Commissions Paid (-)		8.483
4.2.1 Non-cash Loans (-)		40
4.2.2 Other (-)	IV-1	8.443
V. DIVIDEND INCOME	IV-c	328
VI. TRADING INCOME/(LOSS) (Net)	IV-d	17.448
6.1 Trading Gains/(Losses) on Securities		4.079
6.2 Trading Gains/(Losses) on Derivative Financial Instruments		18.387
6.3 Foreign Exchange Gains/(Losses)		(5.018)
VII. OTHER OPERATING INCOME	IV-e	14.607
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		506.300
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-f	82.500
X. OTHER OPERATING EXPENSES (-)	IV-g	301.299
XI. NET OPERATING INCOME/(LOSS) (VIII+IX+X)		122.501
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		17.168
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-h	139.669
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-i	29.821
16.1 Current Tax Provision		14.431
16.2 Deferred Tax Provision		15.390
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)	IV-j	109.848
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Income from Non-Current Assets Held for Resale		-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-
18.3 Other Income from Discontinued Operations		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1 Expense from Non-Current Assets Held for Resale		-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-
19.3 Other Expenses from Discontinued Operations		-
XX. INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-
21.1 Current tax provision		-
21.2 Deferred tax provision		-
XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)		-
XXIII. NET INCOME/(LOSS) (XVII+XXII)	IV-k	109.848
Earnings/(Loss) per share (1.000 nominal in TL full)		1,219

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 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 31 DECEMBER 2018

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

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY		31/12/2018
I.	CURRENT PERIOD INCOME/LOSS	161.759
II.	OTHER COMPREHENSIVE INCOME	27.785
2.1	Other comprehensive income not to be reclassified to profit or loss in subsequent periods:	1.618
2.1.1	Revaluation Differences of Tangible Assets	1.724
2.1.2	Revaluation Differences of Intangible Assets	-
2.1.3	Defined benefit plans remeasurement gains/losses	106
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	(212)
2.2	Other comprehensive income to be reclassified to profit or loss in subsequent periods:	26.167
2.2.1	Exchange differences on translation of foreign operations	3.965
2.2.2	Gains or losses on valuation or reclassification arising from financial assets at fair value through other comprehensive income	(24.049)
2.2.3	Gains or losses arising on cash flow hedges	52.513
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	(6.262)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	189.544

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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 31 DECEMBER 2017

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

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

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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 31 DECEMBER 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
						1	2	3	4	5	6				
CURRENT PERIOD 31/12/2018	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves										
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		-	-	-	-	1.535	83	-	3.965	(18.758)	40.960	-	-	161.759	189.544
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)	19.610	(3.058)	-	5.670	(22.972)	81.216	273.197	(174.343)	161.759	1.875.980

- 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 IFRS 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 31 DECEMBER 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
	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	
PRIOR PERIOD 31/12/2017																		
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												3.795					3.795	
VI. Hedging Reserves (Effective Portion)															18.341		18.341	
6.1 Cash Flow Hedge															18.341		18.341	
6.2 Foreign Investment for Purpose of Hedge																		
VII. Revaluation Differences of Tangible Assets													(1.076)				(1.076)	
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												1.567					1.567	
XIV. Capital Increase		285.000															285.000	
14.1 Cash		285.000															285.000	
14.2 Internal Resources																		
XV. Share Premium																		
XVI. Share Cancellation Profits																		
XVII. Adjustment to Share Capital																		
XVIII. Other									(582)				3.024				2.442	
XIX. Current Year Income or Loss										109.848							109.848	
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)		1.185.000	-	-	-	21.342	-	143.420	(2.957)	109.848	-	(2.509)	18.075	-	40.256	-	1.512.475	

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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 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

VI. CASH FLOW STATEMENT	Note (Section Five)	Current Period 31/12/2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(389.384)
1.1.1 Interest Received		2.188.111
1.1.2 Interest Paid		(1.670.989)
1.1.3 Dividend Received		700
1.1.4 Fees and Commissions Received		35.770
1.1.5 Other Income		-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		274.323
1.1.7 Payments to Personnel and Service Suppliers		165.196
1.1.8 Taxes Paid		(7.696)
1.1.9 Other	VI-b	(1.374.799)
1.2 Changes in Operating Assets and Liabilities		1.168.558
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(7.108)
1.2.2 Net (Increase)/Decrease in Due from Banks and Other Financial Institutions		436.626
1.2.3 Net (Increase)/Decrease in Loans		(883.619)
1.2.4 Net (Increase)/Decrease in Other Assets		(277.055)
1.2.5 Net (Increase)/Decrease in Bank Deposits		1.222
1.2.6 Net Increase/(Decrease) in Other Deposits		1.101.568
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		525.541
1.2.9 Net Increase/(Decrease) in Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	VI-b	271.383
I. Net Cash Provided from Banking Operations		779.174
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		(109.733)
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		8.146
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(152.514)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		37.409
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		350.000
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		1.696
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		166.117
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		1.185.558
VI. Cash and Cash Equivalents at Beginning of the Period	VI-a	1.236.153
VII. Cash and Cash Equivalents at end of the Period	VI-a	2.421.711

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 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 STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

VI. CASH FLOW STATEMENT	Note (Section Five)	Prior Period 31/12/2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		163.984
1.1.1 Interest Received		1.356.614
1.1.2 Interest Paid		(949.841)
1.1.3 Dividend Received		328
1.1.4 Fees and Commissions Received		31.885
1.1.5 Other Income		-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		59.567
1.1.7 Payments to Personnel and Service Suppliers		(146.315)
1.1.8 Taxes Paid	VI-b	(22.125)
1.1.9 Other		(166.129)
1.2 Changes in Operating Assets and Liabilities		(79.352)
1.2.1 Net (Increase)/Decrease in Trading Securities		7.323
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3 Net (Increase)/Decrease in Due from Banks		(20.727)
1.2.4 Net (Increase)/Decrease in Loans		(2.607.496)
1.2.5 Net (Increase)/Decrease in Other Assets		2.855
1.2.6 Net Increase/(Decrease) in Bank Deposits		36.829
1.2.7 Net Increase/(Decrease) in Other Deposits		555.934
1.2.8 Net Increase/(Decrease) in Funds Borrowed		2.066.706
1.2.9 Net Increase/(Decrease) in Payables	VI-b	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(120.776)
I. Net Cash Provided from Banking Operations		84.632
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		251.052
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(6.025)
2.4 Disposals of Property and Equipment		12.977
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(105.204)
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		285.000
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		285.000
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(18.947)
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		601.737
VI. Cash and Cash Equivalents at Beginning of the Period	VI-a	634.416
VII. Cash and Cash Equivalents at end of the Period	VI-a	1.236.153

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 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 STATEMENT OF PROFIT APPROPRIATION AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

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

VII. PROFIT APPROPRIATION STATEMENT	(31/12/2018) (*)	(31/12/2017) (**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	199.193	139.669
1.2 TAXES AND DUTIES PAYABLE (-)	37.434	29.821
1.2.1 Corporate Tax (Income tax)	-	14.431
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	37.434	15.390
A. NET INCOME FOR THE YEAR (1.1-1.2)	161.759	109.848
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	109.848
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	108.435
1.13 OTHER RESERVES	-	1.413
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) TL 33.668 of net profit, represents net profit/loss of subsidiaries which the Bank applies equity accounting method under the principals of TAS 27 and such amount cannot be subject to profit distributions. Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(**) Contains "Profit Appropriation Statement" approved by the Bank's General Assembly held on 30 March 2017, TL 17.168 includes the effects of TAS 27 standard.

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 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.

TFRS 16 Leases

“TFRS 16 Leases” standard came out on official gazette numbered 29826 on the date of 16 April 2018, to be implemented in accounting period after the date of 31 December 2018. According to this standard, difference between operational lease and financial lease disappeared so that all leasing transactions will be recognized as right-of-use assets and corresponding liability.

The standard will be effective from the periods beginning on or after 1 January 2019 and the Bank’s adoption process regarding the mentioned amendments continues as of the reporting date. As of 1 January 2019, The Bank does not expect any significant impact on financials.

The Bank will apply this standard from 1 January 2019, the mandatory application date. Other than the accounting policies mentioned above, there are no other issues to be stated.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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 31 DECEMBER 2018

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

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 31 December 2018, foreign currency denominated balances are translated into TL using the exchange rates of TL 5,2810 and TL 6,0422 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 31 December 2018 and 31 December 2017.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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 IFRS 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 IFRS 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 31 December 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 IFRS 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 IFRS 9.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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 IFRS 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 31 DECEMBER 2018

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

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.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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 IFRS 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 IFRS 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 IFRS 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 31 DECEMBER 2018

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

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 31 DECEMBER 2018

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

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.

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

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

The Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill

As of 31 December 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.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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:

The Bank records its fixed assets obtained via leasing by taking into consideration the “lower of the fair value of the leased asset and the present value of the amount of cash consideration given for the leased asset”.

Leased assets are included in the property and equipment and 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 31 DECEMBER 2018

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

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 31 DECEMBER 2018

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

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.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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 31 December 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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.

	31 December 2018	31 December 2017
Net Income/(Loss) to be Appropriated to Ordinary Shareholders	161.759	109.848
Weighted Average Number of Issued Ordinary Shares (Thousand)	137.845.277	90.078.082
Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)	1,173	1,219

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 VII. 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.

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF IFRS 9 FINANCIAL INSTRUMENTS STANDARD:

IFRS 9 Financial Instruments Standard, which is effective as at 1 January 2018 will replace the TAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 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 IFRS 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 IFRS 9 is presented below

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

a. Classification and measurement of financial assets:

Financial Assets	Before IFRS 9		In Scope of IFRS 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 Bank’s transition to IFRS 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 IFRS 9 as of 1 January 2018.

b. Reconciliation of statement of financial position balances transition to IFRS 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

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

c. Reconciliation of the opening balances of the provision for expected credit losses to IFRS 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 IFRS 9 as of 1 January 2018.

	Book value before IFRS 9 31 December 2017	Remeasurements	Book value after IFRS 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 IFRS 9 transition:

According to paragraph 15 of Article 7 of IFRS 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 IFRS 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 IFRS 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 IFRS 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued):

XXIX. DISCLOSURES OF IFRS 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 (IFRS 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 (IFRS 9 expected loss provisions for third stage loans), which have been cancelled due to IFRS 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 IFRS 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 IFRS 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 at "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognized and derecognized 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 31 December 2018 Bank’s total capital has been calculated as TL 3.485.544 (31 December 2017: TL 2.650.685) and the Capital adequacy ratio is 20,74% (31 December 2017: 19,60%).

a. Information about total capital:

	Current Period 31 December 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 1 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	235.406		60.036	
Profit	161.759		109.848	
Current Period Profit	161.759		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 1 Capital Before Deductions	2.205.263		1.519.830	
Deductions from Common Equity Tier 1 Capital				
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	200.373		7.355	
Improvement costs for operating leasing	17.087		15.642	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	43.876	43.876	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	81.216		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 1 Capital	342.552		99.171	
Total Common Equity Tier 1 Capital	1.862.711		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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

I. EXPLANATIONS ON EQUITY (Continued):

a. Information about total capital (Continued):

	Current Period 31 December 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)	1.862.711		1.411.680	
TIER II CAPITAL				
Debt instruments and share issue premiums deemed suitable by the BRSA	1.425.870		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)	197.443		107.566	
Tier II Capital Before Deductions	1.623.313		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.	480		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	480		131	
Total Tier II Capital	1.622.833		1.239.005	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.485.544		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 (-)				

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

I. EXPLANATIONS ON EQUITY (Continued):

a. Information about total capital (Continued):

	Current Period 31 December 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	3.485.544		2.650.685	
Total risk weighted amounts	16.808.918		13.526.423	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio (%)	11,08		10,50	
Tier I Capital Adequacy Ratio (%)	11,08		10,44	
Capital Adequacy Ratio (%)	20,74		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 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,58		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	-		-	
Limits related to provisions considered in Tier II calculation	158.416		17.587	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)				
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	424.885		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	197.443		107.566	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-		-	

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

I. EXPLANATIONS ON EQUITY (Continued):

b. Information on instruments related to equity estimation

Details on Subordinated Liabilities:		
Issuer	Burgan Bank K.P.S.C	Burgan Bank K.P.S.C
Unique identifier (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)	633.720	792.150
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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

I. EXPLANATIONS ON EQUITY (Continued):

c. Information related to the IFRS 9 transition process:

	T	T-1	T-2	T-3	T-4
EQUITY ITEMS					
Common Equity Tier 1 Capital	1.862.711	1.830.484	1.798.256	1.766.029	1.733.801
Common Equity Tier 1 Capital Without the Implementation of the Transition Process	1.733.801	1.733.801	1.733.801	1.733.801	1.733.801
Tier 1 Capital	1.862.711	1.830.484	1.798.256	1.766.029	1.733.801
Tier 1 Capital Without the Implementation of the Transition Process	1.733.801	1.733.801	1.733.801	1.733.801	1.733.801
Equity	3.485.544	3.485.544	3.485.544	3.485.544	3.485.544
Equity Without the Implementation of the Transition Process	3.485.544	3.485.544	3.485.544	3.485.544	3.485.544
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	16.808.918	16.808.918	16.808.918	16.808.918	16.808.918
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	11,08	10,89	10,70	10,51	10,31
Common Equity Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	10,31	10,31	10,31	10,31	10,31
Tier 1 Capital Adequacy Ratio (%)	11,08	10,89	10,70	10,51	10,31
Tier 1 Capital Adequacy Ratio Without the Implementation of the Transition Process	10,31	10,31	10,31	10,31	10,31
Capital Adequacy Ratio (%)	20,74	20,74	20,74	20,74	20,74
Capital Adequacy Ratio Without the Implementation of the Transition Process	20,74	20,74	20,74	20,74	20,74
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	25.321.132	25.321.132	25.321.132	25.321.132	25.321.132
Leverage Ratio (%)	7,43	7,23	7,10	6,97	6,92
Leverage Ratio Without the Implementation of the Transition Process	6,92	6,92	6,92	6,92	6,92

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK :

Credit risk represents the potential financial loss that the Bank may incur as a result of defaults or non-fulfillment of the loan agreements obligations of counterparties.

In order to control and mitigate credit risk, the Parent Bank takes into consideration the payment capacity of the debtors, the confirmation of the fact that primary and secondary payment sources exist, the fact that provisions allocated for loans can cover expected credit losses, the fact that firms responsible for the valuation of collaterals are operating in accordance with competition rules, the fact that sectoral, geographical and regional concentration is avoided, the fact that the customer portfolio and loans provided are not diversified and credit risk is not common, the fact that information from all sources possible to evaluate or quantify the risks taken on a transaction or customer basis are collected the fact that the payment capacity of loans are monitored.

Credit rankings of borrowers that are present at loans and other accounts receivable accounts are monitored in accordance with the relevant legislation at regular intervals. Account status documents obtained for the issued credits are audited to make sure that the documents are meeting the requirements of the relevant legislation given that the cash transactions are exempted from this rule. As a result of regular monitoring of credit worthiness, credit limits have been changed when necessary. Loans and other receivables are collateralized considering the credit worthiness.

With respect to credit risk, debtor and debtor groups are subject to risk limitations envisaged in the Banking Law. There is no risk limitation in terms of geographical region while the sectoral concentration has been limited. Credit limits allocated are subject to revision at least once a year. The credit worthiness of the borrowers classified as “loans and other receivables under close monitoring” are revised at least twice a year due to Procedures and Principles regarding the regulation on determination of loans and other receivables. The loan limit is controlled by the main banking system and exceeding the specified limits is prohibited. When a revision becomes due, limits for which the loan worthiness has not been reviewed are suspended (except for cash provisions).

The Bank's loan policy approved by the Board of Directors is reviewed a regular basis. In order to maintain the credit risk under control, there are additional limitations in the scope of Bank credit policies apart from the Banking Law limitations. As defined in the document of credit policy, authorization of credit extension has been delegated to branches, the headquarters and the credit committee. Constraints on the use of these delegations;

- Collaterals, accepted as guarantees of loans issued, are clearly stated at credit policy.
- The Bank does not provide loans for arms manufacturers and traders, religious organizations, gambling companies, media companies, political organizations, sport clubs and companies operating in nuclear industry. Exceptions could be evaluated by the head office.
- Loans issued to the companies founded within last two years, real estate development companies and financial institutions as well as the investment projects , cash loan guarantees and loans for covering bank's risks and refinancing loans are evaluated by headquarters and authorized upper management.
- Derivative products' limits cannot be allocated in Branch authorization. Foreign currency loans and counter party / external guarantees cannot be issued by branches.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

The loans that are overdue more than 90 days as of the end of the reporting date or the loans in which the Bank has decided that the debtor has lost its credibility are classified as impaired receivables and general provision is allocated for these loans. According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves,” group II loans and 90 day-delayed loans are considered as non-performing loan and general provision is allocated.

Total amount of exposures after offsetting transactions before applying credit risk mitigations and the average exposure amounts that are classified under different risk groups and types for the relevant period:

31 December 2018		
Risk Group	Amount	Average
Claims on sovereigns and Central Banks	3.307.678	2.978.997
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	38	55
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	1.709.386	1.837.557
Claims on corporates	9.992.738	10.941.150
Claims included in the regulatory retail portfolios	690.398	783.746
Claims secured by residential property	5.692.941	5.069.282
Past due loans	491.702	333.137
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other Receivables	729.209	729.339
Total	22.614.090	22.673.263

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

31 December 2017		
Risk Group	Amount	Average
Claims on sovereigns and Central Banks	2.395.202	2.173.371
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	335	348
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	909.951	1.201.254
Claims on corporates	10.397.637	9.949.840
Claims included in the regulatory retail portfolios	666.441	361.144
Claims secured by residential property	4.438.134	4.030.298
Past due loans	163.356	119.492
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other Receivables	697.468	688.172
Total	19.668.524	18.523.919

The Bank’s derivative transactions are mainly composed of foreign exchange and interest rate swaps money and foreign exchange options and forward transactions. The credit risks of these products are managed by deducting them from the company's credit limit, which is specified only for these types of transactions, in proportion to the term of the transaction. Market risk is managed by the Treasury, Capital market and Financial Institutions Group.

In forward transactions no type of coercive action outside of the other party’s consent is taken.

Indemnified non-cash credits are subjected to the same risk weight as the credits which are past due date.

With regard to the credits renewed and re-structured with a new payment plan by the Bank, the method adopted is the one specified by the relevant legislation. Within the framework of risk management systems a risk separation is not practiced as to the maturity of the liabilities.

The Bank does not perform any kind of banking activity abroad.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

When evaluated within the context of the financial operations of other financial institutions acting as active participants in the international banking market, the Bank have acceptable level credit risk concentration.

In the current period, the share of the Bank’s receivables due to cash loans extended to its top 100 and top 200 customers are 76%, 84% (31 December 2017: 66% and 75%) within the total cash loan portfolio.

In the current period, the share of the Bank’s receivables due to non-cash loans extended to its top 100 and top 200 customers are 62%, 76% (31 December 2017: 47% and 64%) within the total non-cash loans portfolio.

In the current period, the share of the Bank’s receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 74%, 83% (31 December 2017: 64% and 75%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2018, the Bank’s allocated expected credit losses for loans amounts to TL 424.885 (31 December 2017: TL 107.566 general provision).

a. Information on types of loans and specific provisions:

31 December 2018	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Standard Loans	11.519.652	615.626	-	7	12.135.285
Loans under close monitoring	1.814.350	41.169	-	-	1.855.519
Non-performing loans	662.297	23.379	773	-	686.449
Specific provision (-)	179.498	14.576	673	-	194.747
Total	13.816.801	665.598	100	7	14.482.506

31 December 2017	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Standard Loans	11.479.486	534.344	6.407	6	12.020.243
Loans under close monitoring	1.044.953	33.465	520	-	1.078.938
Non-performing loans	334.295	8.323	1.271	1.772	345.661
Specific provision (-)	175.691	4.655	1.130	829	182.305
Total	12.683.043	571.477	7.068	949	13.262.537

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

b. Information on loans and receivables past due but not impaired

31 December 2018	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	1.615.637	73.462	-	-	1.689.099
Past due 30-60 days	98.147	20.474	-	-	118.621
Past due 60-90 days	194.019	9.197	-	-	203.216
Total	1.907.803	103.133	-	-	2.010.936

31 December 2017	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	1.025.557	43.440	712	-	1.069.709
Past due 30-60 days	14.176	11.292	152	-	25.620
Past due 60-90 days	41.379	5.092	42	-	46.513
Total	1.081.112	59.824	906	-	1.141.842

c. Information on debt securities, treasury bills and other bills:

31 December 2018	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody’s Rating				
Ba3 (*)	11.974	383.693	236.801	632.468
Total	11.974	383.693	236.801	632.468

(*) This table contains only Turkish Republic government bank bonds, bank bonds and treasury bills which are rated by Moody’s.

31 December 2017	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody’s Rating				
Ba1 (*)	5.310	247.367	171.218	423.895
Total	5.310	247.367	171.218	423.895

(*) This table contains only Turkish Republic government bank bonds, bank bonds and treasury bills which is rated by Moody’s.

d. Information on rating concentration:

The Bank evaluates its credit risk based on an internal rating system and the portfolio is classified from least probability of default to highest. The information about the concentration of cash and non cash loans which are classified with the rating system is presented below.

	31 December 2018	31 December 2017
Above average (%)	22,51	6,64
Average (%)	53,93	68,07
Below average (%)	19,52	21,49
Not rated (%)	4,04	3,80

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

e. Fair value of collaterals (loans and advances to customers):

31 December 2018	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	783.879	16.205	-	-	800.084
Non-performing loans	350.571	1.175	111	-	351.857
Total	1.134.450	17.380	111	-	1.151.941

31 December 2017	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	410.396	10.638	12	-	421.046
Non-performing loans	179.484	837	119	1.258	181.698
Total	589.880	11.475	131	1.258	602.744

Type of Collaterals	31 December 2018	31 December 2017
Real-estate mortgage	723.646	458.772
Pledge	77.694	12.565
Cash and cash equivalents	350.601	131.407
Total	1.151.941	602.744

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																17	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
31 December 2018																		
Domestic	4.087.893	-	8	-	-	42.328	8.599.951	595.661	5.472.655	491.702	-	-	-	-	-	-	729.212	20.019.410
EU Countries	-	-	-	-	-	1.440.777	-	5	-	-	-	-	-	-	-	-	-	1.440.782
OECD Countries (**)	-	-	-	-	-	655	-	-	-	-	-	-	-	-	-	-	-	655
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	13.199	-	5	-	-	-	-	-	-	-	-	-	13.204
Other Countries	-	-	-	-	-	168.008	3.026	1	-	-	-	-	-	-	-	-	-	171.035
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	4.087.893	-	8	-	-	1.664.967	8.602.977	595.672	5.472.655	491.702	-	-	-	-	-	-	729.212	21.645.086

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

f. Profile of significant exposures in major regions (continued):

	Exposure Categories (*)																Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
31 December 2017																		
Domestic	3.511.977	-	285	-	-	46.962	8.661.811	538.359	4.149.017	163.356	-	-	-	-	-	-	526.310	17.598.077
EU Countries	-	-	-	-	-	661.399	14	39	-	-	-	-	-	-	-	-	-	661.452
OECD Countries (**)	-	-	-	-	-	3.608	-	-	-	-	-	-	-	-	-	-	-	3.608
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	7.932	-	9	-	-	-	-	-	-	-	-	-	7.941
Other Countries	-	-	-	-	-	132.256	171	18	-	-	-	-	-	-	-	-	-	132.445
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	3.511.977	-	285	-	-	852.157	8.661.996	538.425	4.149.017	163.356	-	-	-	-	-	-	526.310	18.403.523

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

31 December 2018	Exposure Categories (*)																	TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
Agriculture	-	-	-	-	-	-	16.739	2.563	8.172	2.476	-	-	-	-	-	-	-	24.041	12.044	36.085	
Farming and Stockbreeding	-	-	-	-	-	-	16.660	2.563	5.811	2.473	-	-	-	-	-	-	-	21.598	12.044	33.642	
Forestry	-	-	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	7	-	7	
Fishery	-	-	-	-	-	-	72	-	2.361	3	-	-	-	-	-	-	-	2.436	-	2.436	
Manufacturing	-	-	-	-	-	-	3.305.450	35.108	1.361.443	90.544	-	-	-	-	-	-	-	764.593	4.117.711	4.882.304	
Mining and Quarrying	-	-	-	-	-	-	138.430	2.962	634.581	2.249	-	-	-	-	-	-	-	76.979	701.243	778.222	
Production	-	-	-	-	-	-	2.414.163	32.032	620.414	88.295	-	-	-	-	-	-	-	683.035	2.561.628	3.244.663	
Electricity, Gas and Water	-	-	-	-	-	-	752.857	114	106.448	-	-	-	-	-	-	-	-	4.579	854.840	859.419	
Construction	-	-	-	-	-	-	2.078.244	12.299	2.267.460	130.984	-	-	-	-	-	-	-	1.484.102	3.083.613	4.567.715	
Services	-	-	-	-	-	-	1.664.967	3.140.007	25.984	1.690.090	149.627	-	-	-	-	-	-	1.720.191	5.075.370	6.795.561	
Wholesale and Retail Trade	-	-	-	-	-	-	1.291.032	15.616	271.708	46.850	-	-	-	-	-	-	-	593.952	1.061.778	1.655.730	
Hotel, Food and Beverage services	-	-	-	-	-	-	563.155	2.150	975.113	1.262	-	-	-	-	-	-	-	133.132	1.479.557	1.612.689	
Transportation and Telecom	-	-	-	-	-	-	303.321	2.865	167.442	57.652	-	-	-	-	-	-	-	181.633	349.647	531.280	
Financial Institutions	-	-	-	-	-	-	1.664.967	769.655	2.049	64.960	1.222	-	-	-	-	-	-	688.654	1.814.199	2.502.853	
Real Estate and Rental Services	-	-	-	-	-	-	157.918	1.151	191.092	37.952	-	-	-	-	-	-	-	72.140	339.326	411.466	
Self-employment Services	-	-	-	-	-	-	4.202	1.040	2.520	132	-	-	-	-	-	-	-	7.415	479	7.894	
Educational Services	-	-	-	-	-	-	12.705	127	6.429	3.804	-	-	-	-	-	-	-	12.285	10.780	23.065	
Health and Social Services	-	-	-	-	-	-	38.019	986	10.826	753	-	-	-	-	-	-	-	30.980	19.604	50.584	
Other	4.087.893	-	8	-	-	-	62.537	519.718	145.490	118.071	-	-	-	-	-	-	-	729.212	3.596.535	1.766.886	5.363.421
Total	4.087.893	-	8	-	-	-	1.664.967	8.602.977	595.672	5.472.655	491.702	-	-	-	-	-	-	729.212	7.589.462	14.055.624	21.645.086

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
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5. Conditional and unconditional exposures to international organisations
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7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
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17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Bank

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

31 December 2017	Exposure Categories (*)																	TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
Agriculture	-	-	-	-	-	-	31.968	2.808	3.835	1.155	-	-	-	-	-	-	-	22.880	20.060	42.940	
Farming and Stockbreeding	-	-	-	-	-	-	28.792	2.176	2.735	1.131	-	-	-	-	-	-	-	20.805	17.203	38.008	
Forestry	-	-	-	-	-	-	11	-	21	24	-	-	-	-	-	-	-	56	-	56	
Fishery	-	-	-	-	-	-	3.165	632	1.079	-	-	-	-	-	-	-	-	2.019	2.857	4.876	
Manufacturing	-	-	6	-	-	-	3.116.235	52.783	819.805	48.376	-	-	-	-	-	-	-	912.972	3.195.395	4.108.367	
Mining and Quarrying	-	-	6	-	-	-	386.452	2.734	205.473	2.258	-	-	-	-	-	-	-	106.609	497.750	604.359	
Production	-	-	-	-	-	-	2.122.246	48.774	533.432	46.118	-	-	-	-	-	-	-	800.609	2.011.269	2.811.878	
Electricity, Gas and Water	-	-	-	-	-	-	607.537	1.275	80.900	-	-	-	-	-	-	-	-	5.754	686.376	692.130	
Construction	-	-	-	-	-	-	2.278.995	9.178	1.668.154	59.134	-	-	-	-	-	-	-	1.279.818	2.774.779	4.054.597	
Services	-	-	-	-	-	-	852.157	3.128.631	36.784	1.509.041	50.595	-	-	-	-	-	-	1.684.512	3.942.768	5.627.280	
Wholesale and Retail Trade	-	-	-	-	-	-	1.100.580	26.571	302.259	32.456	-	-	-	-	-	-	-	574.901	890.932	1.465.833	
Hotel, Food and Beverage services	-	-	-	-	-	-	338.337	2.360	816.160	3.500	-	-	-	-	-	-	-	46.316	1.140.844	1.187.160	
Transportation and Telecom	-	-	-	-	-	-	373.269	3.372	183.724	6.835	-	-	-	-	-	-	-	170.102	397.098	567.200	
Financial Institutions	-	-	-	-	-	-	852.157	910.708	807	41.078	1.095	-	-	-	-	-	-	809.975	995.870	1.805.845	
Real Estate and Rental Services	-	-	-	-	-	-	353.286	2.352	146.513	681	-	-	-	-	-	-	-	33.361	488.773	522.134	
Self-employment Services	-	-	-	-	-	-	7.621	190	3.467	-	-	-	-	-	-	-	-	10.956	322	11.278	
Educational Services	-	-	-	-	-	-	16.730	119	3.221	3.695	-	-	-	-	-	-	-	13.370	10.395	23.765	
Health and Social Services	-	-	-	-	-	-	28.100	1.013	12.619	2.333	-	-	-	-	-	-	-	25.531	18.534	44.065	
Other	3.511.977	-	279	-	-	-	106.167	436.872	148.182	4.096	-	-	-	-	-	-	-	526.310	3.232.130	1.338.209	4.570.339
Total	3.511.977	-	285	-	-	-	852.157	8.661.996	538.425	4.149.017	163.356	-	-	-	-	-	-	526.310	7.132.312	11.271.211	18.403.523

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
5. Conditional and unconditional exposures to international organisations
6. Conditional and unconditional exposures to banks and brokerage houses
7. Conditional and unconditional exposures to corporates
8. Conditional and unconditional retail exposures
9. Conditional and unconditional exposures secured by real estate property
10. Past due receivables
11. Receivables defined in high risk category by BRSA
12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
14. Short term exposures to banks, brokerage houses and corporates
15. Exposures in the form of collective investment undertakings
16. Stock Exchange
17. Other receivables

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Bank

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

h. Analysis of maturity-bearing exposures according to remaining maturities:

31 December 2018	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Risk classifications					
Claims on sovereigns and Central Banks	480.155	7.813	78.264	104.464	1.209.464
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	8	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	458.170	478.134	63.572	122.255	488.324
Claims on corporates	2.141.938	611.451	857.027	1.269.679	3.722.882
Claims included in the regulatory retail portfolios	34.957	20.095	29.142	63.761	447.722
Claims secured by residential property	175.943	145.692	297.742	345.415	4.507.861
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	3.291.171	1.263.185	1.325.747	1.905.574	10.376.253

31 December 2017	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Risk classifications					
Claims on sovereigns and Central Banks	1.285	18.457	186.842	36.818	2.241.671
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	272	-	-	-	13
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	173.966	177.651	134.569	12.526	334.761
Claims on corporates	1.003.059	580.011	702.928	1.376.752	4.999.246
Claims included in the regulatory retail portfolios	21.812	17.451	23.125	62.233	413.802
Claims secured by residential property	110.566	124.944	118.972	209.386	3.585.151
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	1.310.960	918.514	1.166.436	1.697.715	11.574.644

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

i. Information about the risk exposure categories:

In the standard approach calculations, the Bank uses Fitch Credit Rating Institution ratings when determining the risk weights of risk classes in accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks".

Fitch Credit Rating Institution ratings are taken into consideration when evaluating the entire class of receivables from central governments or central banks and receivable portfolios from financial institutions.

The Fitch Rating assigned to a debtor is valid for all of the debtor's assets, no exception is made for a specific category of assets.

A Credit Rating Institution which is not included in the institution's mapping table is not taken into consideration in the credit risk amount calculation process.

j. Exposures by risk weights:

31 December 2018								
Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.223.791	758.306	792.154	3.876.554	635.002	13.157.913	201.366	480
2. Exposures after Credit Risks Mitigation (*)	3.016.353	818.657	747.926	3.571.075	576.478	12.792.401	122.196	480

(*) The bank mitigates the credit risk using the simple financial collateral methods.

31 December 2017								
Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1.Exposures before Credit Risk Mitigation	2.171.513	460.927	662.726	3.242.257	579.312	11.242.100	44.688	131
2. Exposures after Credit Risks Mitigation (*)	3.419.821	477.881	616.719	2.919.381	520.032	10.413.144	36.545	131

(*) The bank mitigates the credit risk using the simple financial collateral methods

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

k. Informations in terms of major sectors and type of counterparties:

31 December 2018 Major Sectors / Counterparties	Loans		Provisions	
	Significant Increase of Credit Risk (Stage 2)	Default(Stage 3)	Non-Performing (Regulation of provision-Stage 2)	Non-Performing (Regulation of provision-Stage 3)
Agriculture	2.256	5.382	8	2.906
Farming and Stockbreeding	1.863	4.815	8	2.342
Forestry	-	539	-	539
Fishery	393	28	-	25
Manufacturing	325.568	156.510	96.062	65.966
Mining and Quarrying	21.889	5.945	810	3.696
Production	303.273	150.561	95.252	62.266
Electricity, Gas and Water	406	4	-	4
Construction	272.682	161.676	13.334	30.692
Services	851.887	225.184	98.521	75.557
Wholesale and Retail Trade	61.033	87.006	8.490	40.156
Accommodation and Dining	564.275	2.690	69.084	1.428
Transportation and Telecom	2.118	76.866	8	19.214
Financial Institutions	111	1.501	-	279
Real Estate and Rental Services	218.143	51.070	20.888	13.118
Professional Services	-	188	-	56
Educational Services	345	4.931	27	1.127
Health and Social Services	5.862	932	24	179
Other	403.126	137.697	95.581	19.626
Total	1.855.519	686.449	303.506	194.747

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

k. Informations in terms of major sectors and type of counterparties (continued):

31 December 2017 Major Sectors / Counterparties	Credits		Provisions	
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	6.885	3.717	37	5.730
Farming and Stockbreeding	6.263	2.960	30	5.132
Forestry	566	21	-	542
Fishery	56	736	7	56
Manufacturing	131.296	344.479	3.267	82.920
Mining and Quarrying	14.869	18.008	25	12.611
Production	116.230	326.471	3.242	70.112
Electricity, Gas and Water	197	-	-	197
Construction	91.281	117.873	1.151	32.147
Services	104.968	403.767	3.782	54.373
Wholesale and Retail Trade	78.248	36.935	340	45.792
Accommodation and Dining	6.279	357.885	3.353	2.779
Transportation and Telecom	9.008	3.210	32	2.173
Financial Institutions	1.267	225	2	172
Real Estate and Rental Services	1.177	264	3	496
Professional Services	827	312	3	827
Educational Services	4.932	350	3	1.237
Health and Social Services	3.230	4.586	46	897
Other	11.231	272.006	1.819	7.135
Total	345.661	1.141.842	10.056	182.305

(*) Includes overdue loans that are not in close monitoring.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

1. Information about Value Adjustment and Change in Provisions:

31 December 2018	Opening Balance	IFRS 9 Transition Effect	Provision for Period	Write off from Asset	Other Adjustments (*)	Closing Balance
1. Specific Provisions (**)	184.694	4.492	240.722	17.172	(243.820)	203.260
2. General Provisions	150.032	206.587	0	(18.818)	87.084	424.885
TOTAL	334.726	211.079	240.722	(1.646)	(156.736)	628.145

(*) The Other Adjustments column consists of asset sales and exchange rate differences of provisions in foreign currencies.

(**) Includes specific provisions allocated for uncompensated non-cash loans, cheque-book allowances and free provisions which the Bank has classified as non-performing loans.

31 December 2017	Opening Balance	Provision for Period	Write off from Asset	Other Adjustments (*)	Closing Balance
1. Specific Provisions (**)	149.541	119.217	(45.912)	4.314	227.160
2. General Provisions	90.245	9.195	-	8.126	107.566

(*) The Other Adjustments column consists of asset sales and exchange rate differences of provisions in foreign currencies.

(**) Includes specific provisions allocated for uncompensated non-cash loans, cheque-book allowances and free provisions which the Bank has classified as non-performing loans.

m. Risks Included in Cyclical Capital Buffer Calculation :

None.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT:

Risk Management Approach and Risk Weighted Amounts

a. Risk Management Approach of the Bank:

1. The way risk profile of the Bank is determined by business model and its interaction and risk appetite:

The Bank prepares its business strategy including medium and long term growth objectives and makes an annual revision through reviewing. The Bank reviews its business strategy annually in a periodic manner and aforementioned business strategies are reviewed ad hoc and more frequently and can be revised if it is required by economic developments and market conditions. Risk appetite of the Bank is designated in full compliance with its business strategy and main risks, which shall be taken due to main components of main activity area and business strategy of the Bank, comprise main inputs of risk appetite determined by Board of Directors.

2. Risk management structure: Responsibilities assigned within the body of the Bank:

Board of Directors is responsible for developing a risk appetite in compliance with business strategy of the Bank and establishing a risk management system in line with risk appetite. Board of Directors carries out activities such as definition, monitoring, reporting of the risk and developing risk mitigating measures through Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, Assets and Liabilities Committee (ALCO) and Risk Management Group, Internal Control Department, Directorate of Supervisory Board and Compliance Departments.

Audit Committee controls whether provisions included in legislation related risk management and intra-group and implementation procedures approved by the Board of Directors are applied or not and makes recommendations to board of directors regarding measures which should be taken. It also evaluates whether there are method, instrument and implementations procedures required for identification, measurement, monitoring and controlling of Group’s risks or not.

Board Risk Committee is responsible for the development of risk management systems in line with business strategy and risk appetite of the Bank, presentation of amendment recommendations related to risk management policies to Board of Directors and establishment of required method, instrument and implementation procedures in order to ensure identification, measurement, monitoring and reporting of risks by non-executive independent departments.

ALCO is responsible to monitor and manage structural asset-liability non-compliance of the Bank together with the monitoring and controlling of liquidity and exchange risks through holding meetings on a weekly basis.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Risk management structure: Responsibilities assigned within the body of the Bank:

Risk Management Group, which carries out its activities independent from executive functions, consist of Credit Risk and Modelling Unit, Market Risk Unit and Operational Risk Unit which operate under the Credit and Market Risk Unit. Credit Risk and Modelling Unit is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Bank and its partners which are subject to consolidation and sharing of solution recommendations for risk mitigation with related departments. Credit risk appetite limits, which are approved by Board of Directors, are monitored in specific periods and results are reported to Board of Directors and senior management. The unit gives support to credit risk analysis through stress tests, reverse stress tests and scenario analysis. Market Risk Unit is responsible for defining, measuring, monitoring and reporting of outputs with respect to risks exposed by the Bank and its partners which are subject to consolidation. The Unit is also responsible to monitor and report limits specified related to treasury risk parameters and liquidity risk. Limit-risk follow-up regarding counterparty credit risk, stress tests and scenario analysis are also under the responsibility of the unit in question.

Operational Risk Unit carries out definition, measurement, assessment, controlling, mitigation, monitoring and reporting activities of operational risks. Internal Audit is responsible for the evaluation of operational risk management framework with its all aspects in an independent manner. The aforementioned evaluation includes both activities of business units and also activities of Operational Risk Management.

Internal Control Center carries out activities at secondary control level in order to monitor and report risks and develop measures reducing risks with executive departments. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Bank are shared with both executive and non-executive departments such as Risk Management Group.

3. Channels which are used to extend and apply risk culture in the Bank:

Risk Management application is developed on Intranet platform for the purpose of increasing awareness of employees in order to extend risk culture within the body of the Bank. Through this application, trainings and documents increasing awareness are shared with employees. Online trainings, related to risk management developed in order to raise awareness of employees, are shared with employees via remote training system. Risk point of views of employees are supported through in-class trainings, if required.

Information on risk position of the Bank, expected and unexpected loss estimations, impacts of negative conditions on balance sheet of the Bank and realization levels of risk appetite limits determined by Board of Directors is share with Board of Directors, related committees and senior management by Risk Management Group through reports issued. If there exists an overflow on the risk appetite limits, related departments are informed in order to ensure taking of pre-determined measures and results are monitored by Risk Management Group.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

4. Main components and scope of Risk measurement systems:

Rating is used for corporate and commercial customers while scoring is used for retail loans in the Bank in order to measure loan risk. Internal rating systems are designated in the framework of business strategy, risk appetite, regulations of authorities with respect to rating systems and internal policies and their performances are periodically monitored by Risk Management Group and results are reported to Board of Directors and senior management. On the other hand, validations of rating models are coordinated by Credit Risk and Modelling Unit. The Bank has information systems enabling reporting according to sector, segment, branch, exchange rate, maturity, internal rating grade and risk class of credit portfolio. Risk appetite limits determined in the Loan Risk Policy are monitored on a monthly basis and reported to Board of Directors and senior management.

The Bank determines internal limits which are revised in the framework of business model, strategy and risk appetite of the Bank reviewed at least on an annual basis for exchange rate, interest, counterparty and liquidity risk which may be exposed. All limits are approved by Board of Directors and monitored in an effective manner by Board of Directors.

Basic Indicator Approach is used in order to determine capital requirement required for operational risk in accordance with legislations of BRSA. The Bank records operational risk events in the operational risk database and performs self-evaluation studies in order to raise awareness in operational risks, determine current operational risks and reduce possible negative impacts of such risks to minimum.

5. Disclosures on risk reporting processes provided to Board of Directors and senior management:

Risk Management Group reports results of analysis related to risks such as credit, liquidity and operational to Board of Directors, Audit Committee, Board Risk Committee, Risk Coordination Committee, ALCO and senior management. Reporting is made to Risk Coordination Committee and Board of Directors on a monthly basis while it is made to Audit Committee and Board of Directors Risk Committee on a quarterly basis.

Results of concentration and credit risk stress test based on sector, segment, maturity, collateral, currency, internal rating of customers; structural interest rate risk sourcing from banking accounts, details related to derivatives, liquidity analysis, stress tests made related to counterparty credit risk, deposit concentration, realizations related to risk appetite limits of market and liquidity; historical developments of operational risks based on loss categories and their distribution based on Bank and subsidiaries are included in aforementioned reports.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT(Continued):

6. Disclosures on Stress Test:

The Bank makes stress tests for risk categories of credit, market, liquidity and operational risk both in scope of Internal Capital Adequacy Assessment Process (ICAAP) and also as periodical internal and results are shared with Board of Directors, senior management and audit authority, if required.

The Bank considers scenarios announced by BRSA and pre-determined negative and extremely negative scenarios for stress tests made in scope of ICAAP. Scenarios are determined through taking macro-economic variables, business strategy and risk appetite of the Bank and negative past conditions into account. In scope of ICAAP, both particular and also total stress tests are made based on significant risk types.

Internal periodic stress tests are made in the framework of scenarios determined internally in accordance with portfolio, business strategy, risk appetite and retrospective estimations of the Bank. The Bank prepares its internal periodic stress tests through benefiting from sensitivity analysis, stress test, reverse stress test and scenarios analysis instruments. Credit risk stress tests include scenarios such as depreciation of Turkish Lira and increase in overdue receivables. On the other hand, reverse stress tests towards risk appetite limits through scenario analysis related to concentration index are periodically made.

Impact of each shocks on profitability and capital is measured in stress tests made in scope of Market Risk. Risk factors, for which a shock is applied, are exchange rates, interests and prices of shares. Foreign exchange position gain/loss sourcing from sudden exchange and interest movements, banking activities, impact of Interbank transactions and Commercial Funding on capital, bond, derivative and share portfolio gain/loss are calculated in stress tests.

Impact of exchange and interest shocks on derivative portfolio specific for customer is reviewed in scope of Counterparty Credit Risk stress tests and results are discussed in related committees.

In scope of operational risk tests, loss estimation is made through statistical methods via taking historical loss data into account and its effect on capital requirement is reviewed.

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

The Bank includes collaterals in Communique on Credit Risk Mitigation Techniques to credit risk mitigation with respect to capital requirements calculations and those collaterals are used in calculations over their consideration rates in the aforementioned communique. The operational conditions mentioned in the Communique should be met in order to be able to include collaterals in credit risk mitigation.

Determination of actions towards mitigation through assessing risks exposed in current processes, key risk indicators and loss events, use of support services and pre-evaluation studies of implementation procedures and policies of new products are carried out in order to mitigate risk which are exposed or shall be exposed in operational risk management. Insurances towards risk mitigation are made. Risk mitigation exposed due to a disruption is aimed to be reduced through Business Continuity Plan approved by Board of Directors ensuring the continuity of operations in reasonable periods. In this scope, Business Continuity Plan is periodically tested and required updates are made.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

b. Overview of RWA

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 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 31 December 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 31 December 2018	Prior Period 31 December 2017	Current Period 31 December 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	15.112.528	12.345.238	1.209.002
2	Standardised approach (SA)	15.112.528	12.345.238	1.209.002
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	682.949	380.220	54.636
5	Standardised approach for counterparty credit risk (SACCR)	682.949	380.220	54.636
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	187.613	115.709	15.009
17	Standardised approach (SA)	187.613	115.709	15.009
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)	16.808.918	13.526.423	1.344.713

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

31 December 2018	Carrying values of items in accordance with TAS					
	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	2.746.394	2.746.394	-	-	-	-
Trading Financial Assets	493.921	-	481.231	-	265.525	480
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	194.104	194.469	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	388.520	388.605	-	-	-	-
Loans and Receivables	14.085.751	14.479.340	-	-	-	-
Factoring Receivables	7	7	-	-	-	-
Held-to-maturity investments (net)	236.801	236.801	222.667	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	381.091	381.091	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	668.691	-	668.691	-	-	-
Property And Equipment (Net)	58.454	41.367	-	-	-	17.087
Intangible Assets (Net)	44.058	-	-	-	-	44.058
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	10.294	10.294	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	113.090	113.090	-	-	-	-
Other Assets	160.223	156.490	-	-	-	-
Total assets	19.581.399	18.747.948	1.372.589	-	265.525	61.625
Liabilities						
Deposits	10.060.455	-	-	-	-	10.060.455
Derivative Financial Liabilities Held for Trading	332.152	-	282.691	-	212.293	49.461
Funds Borrowed	4.313.789	-	-	-	-	4.313.789
Money Markets	171.306	-	171.306	-	-	-
Marketable Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	885.472	-	-	-	-	885.472
Other Liabilities	154.742	-	-	-	-	154.742
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	70.273	-	-	-	-	70.273
Provisions	84.935	-	-	-	-	84.935
Tax Liability	32.823	-	-	-	-	32.823
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	1.599.472	-	-	-	-	1.599.472
Shareholder's Equity	1.875.980	-	-	-	-	1.875.980
Total liabilities	19.581.399	-	453.991	-	212.293	19.127.402

(*) On the table above, amounts of allocated IFRS 9 loss provisions in the current period are presented in the related balance sheet entries.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

31 December 2017	Carrying values of items in accordance with TAS					
	Valued amount according to TAS within legal consolidation	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with the Central Bank	2.027.327	2.027.327	-	-	-	-
Trading Financial Assets	163.866	-	158.425	-	153.116	131
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	157.317	157.317	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	251.592	251.592	96.867	-	-	-
Loans and Receivables	13.262.531	13.262.531	-	-	-	-
Factoring Receivables	6	6	-	-	-	-
Held-to-maturity investments (net)	171.218	171.218	171.218	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	256.972	256.972	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	262.867	-	262.867	-	-	-
Property And Equipment (Net)	55.377	39.735	-	-	-	15.642
Intangible Assets (Net)	45.085	-	-	-	-	45.085
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.085	45.085	-	-	-	-
Other Assets	108.066	108.066	-	-	-	-
Total assets	16.807.309	16.319.849	689.377	-	153.116	60.858
Liabilities						
Deposits	8.928.115	-	-	-	-	8.928.115
Derivative Financial Liabilities Held for Trading	169.934	-	142.887	-	105.634	27.047
Funds Borrowed	4.217.905	-	-	-	-	4.217.905
Money Markets	200.159	-	200.159	-	-	-
Marketable Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	272.791	-	-	-	-	272.791
Other Liabilities	53.860	-	-	-	-	53.860
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	53.367	-	-	-	-	53.367
Provisions	192.710	-	-	-	-	192.710
Tax Liability	65.411	-	-	-	-	65.411
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	1.140.582	-	-	-	-	1.140.582
Shareholder's Equity	1.512.475	-	-	-	-	1.512.475
Total liabilities	16.807.309	-	343.046	-	105.634	16.464.263

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

1. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Total	Subject To Credit Risk	Subject to Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
	31 December 2018					
1	Asset carrying value amount under scope of regulatory consolidation	20.386.062	18.747.948	-	1.372.589	265.525
2	Liabilities carrying value amount under regulatory scope of consolidation	(666.290)	-	-	(453.997)	(212.293)
3	Total net amount under regulatory scope of consolidation	19.719.772	18.747.948	-	918.592	53.232
4	Off-Balance Sheet Amounts	2.498.626	2.498.626	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA’s Applications	(385.699)	(969.003)	-	448.923	134.381
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	21.832.699	20.277.571	-	1.367.515	187.613

		Total	Subject To Credit Risk	Subject to Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
	31 December 2017					
1	Asset carrying value amount under scope of regulatory consolidation	17.162.342	16.319.849	-	689.377	153.116
2	Liabilities carrying value amount under regulatory scope of consolidation	(448.680)	-	-	(343.046)	(105.634)
3	Total net amount under regulatory scope of consolidation	16.713.662	16.319.849	-	346.331	47.482
4	Off-Balance Sheet Amounts	1.277.694	1.277.694	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA’s Applications	527.876	92.976	-	366.673	68.227
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	18.519.232	17.690.519	-	713.004	115.709

2. Disclosures on Differences between Amounts valued in accordance with TAS and Risk Exposures

There exist no difference between accounting and legal consolidation scopes of the Bank.

Significant differences between amounts valued in accordance with TAS and Risk exposures source from securities and derivatives. Securities mentioned in repo transaction in financial assets held for trading and held for sale financial assets are designated in Money Markets Debts item. For derivative transactions, the Bank has foreign exchange swap and interest swap products which are monitored under trading accounts and made for structural interest rate risk and liquidity risk management. Therefore, those products should not be considered in scope of market risk although they are monitored under trading accounts in accordance with TAS.

Valuation methodologies, including disclosure on using of market value and model value methodologies, performs valuation of financial assets of the Bank tracked under trading accounts on a daily basis. Market prices, obtained from independent data providers, are kept in treasury system and valuations are made systemically.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Market values of products such as forward exchange, foreign exchange swaps and interest swaps traded in over the counter markets are calculated based on discounting of cash flows over market interest rates. Globally accepted valuation methodologies are used for option products.

The Bank uses weighted average prices for securities trades in BIST for Turkish Lira securities portfolio while it uses prices in nature of indicator announced by Central Bank for securities not traded on BIST. Market average prices, obtained from independent data providers, are used for foreign currency securities.

The Bank makes all calculations of fair values based on mid price.

Description of independent price approval processes: The Bank obtains market prices, which shall be used in valuation, from independent data providers and manages through checkpoints established independent from risk generating unit/departments. Valuation prices are determined through collection of data in treasury system for risk factors exposed at a pre-determined hour in each day. The aforementioned data is formed following an inquiry executed by Information Technologies without the interruption of any users. Prices, which shall be used in valuations, are controlled by Market Risk Department on a daily basis.

Besides, Market Risk Department controls and documents yield curves, valuation methods and accuracy of fair value calculations periodically.

Processes for valuations adjustments or differences: The Bank does not make valuation adjustment since financial assets recognized at fair value are traded on an active market.

c. Credit Risk Disclosures

1. General Qualitative Information on Credit Risk

i. Conversion of Bank’s business model to components of credit risk profile

The Bank has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments. The Bank especially uses stress test and scenario analysis in order to measure effects of negative conditions on bank’s portfolio and business strategy and risk appetite o the Bank is considered while determining parameters for respective analysis.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

ii. Criteria and approach used during the determination of credit risk policy and credit risk limits

The Bank determines short, medium and long term credit strategies in line with business strategy and risk appetite and performs studies in line with criteria details in credit policies and credit risk policy in order to minimize expected and unexpected losses exposed due to credit operations. Credit policies determines procedures related to credit allocation, monitoring, collection and administrative and legal proceedings based on prudent man and applicability principles. Besides, general framework of credit risk studies made in order to execute credit risk in an efficient manner which is requested by legal authorities. Therefore, Credit Risk Policy, forming top level framework of credit risk studies of the Bank, and credit risk limits detailed in this document are determined based on legal requirements, business strategy of the Bank, credit strategy, risk appetite and credit policies and reviewed at least annually and updated, if required. Business strategy, risk appetite and retrospective portfolio realizations are taken into consideration while determining credit risk limits. On the other hand, methods such as stress test and reverse stress test are used during the determination of limit levels.

iii. Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Bank in favour of individuals or legal entities are reviewed in scope of credit risk management. In this context, first level of controls are detailed in credit policies and procedures. Internal rating systems are benefited as well as credit allocation processes in order to measure creditability of customers.

Credit risk studies in scope of capital adequacy are carried out by Credit Risk and Modelling Unit within the body of Risk Management Group in the framework of Credit Risk Policy. Credit Risk Policy includes activities related to credit risk management, credit risk management organization, related parties and their responsibilities and duties, main principles, implementations, limits and reporting determine in credit risk management.

Duties and responsibilities of Risk Management Group Credit Risk and Modelling Unit with respect to credit risk management are as follows:

- To make principal amount calculations subject to legal credit risk in the framework of determined rules by related regulations of BRSA and to monitor up-to-dateness of application used in this scope,
- To report results of analysis related to risk definition, measurement, analysis, monitoring and portfolio subject to in/off balance sheet credit risks to senior management in scope of Credit Risk Policy approved by Board of Directors and related application principles,
- To support development of rating/score card models for corporate, commercial and retail credits, to monitor their performances and to participate/coordinate their validation studies,

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

- To perform credit risk stress test, reverse stress test and scenario analysis determined through related regulations of BRSA and approved by Board of Directors and to share respective results with Risk Coordination Committee, senior management, Audit Committee, Board of Directors Risk Committee and Board of Directors,
- To make probability of default (PD), loss given default (LGD) and residual risk calculations based on internal rating models and share opinion and recommendations for the establishment of infra-structure for aforementioned calculations,
- To analyse credits portfolio through applying stress test, reverse stress test and scenario analysis, if required, for credit risk management,
- To monitor, report risk appetite limits determined in Credit Risk Policy periodically and share opinion and recommendations in revision of risk appetite limits,
- To share recommendations developed for stress test and scenario analysis in order to be presented to Board of Directors, with Risk Coordination Committee and Risk Committee.

iv. Relation between credit risk management, risk control, legal compliance and internal audit functions

Three lines control mechanism is established in order manage credit risk and to reduce expected and unexpected losses to a minimum level at the Bank. The first line of controls are performed by executive units and include controls in entering into credit relation with customers having high level of creditability, credit allocation, crediting, repayment and monitoring phases. The second line of controls include activities performed by Risk Management Group and Internal Control Department and consist of definition, measurement, monitoring, reporting of risks and development of measures which shall reduce credit risk with executive departments. The third line of controls are performed by Supervisory Board. Directorate of Supervisory Board carries out required intra-company audits in order to reduce risks exposed by the Bank to a minimum level.

Compliance Department carries out the function to monitor legislative amendments and validity and effective date of regulations and timely informing of related parties with respect to aforementioned issues. Regulations, which are directly or indirectly related to risks exposed by Bank are shared with both executive and non-executive departments such as Risk Management Group.

Internal Audit function is executed by Directorate of Supervisory Board at the Bank. In this context, evaluations with respect to credit risk are carried out by Directorate of Supervisory Board through taking risks exposed by the Bank and related controls into account in the framework of annual audit plans. Assurance is provided on effectiveness and sufficiency of internal control and risk management strategies related to credit risk activity field executed towards strategies and objectives of the Bank through credit risk management in scope of headquarters unit and process audits and branch audits including participation of Directorate of Supervisory Board.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Managers of Risk Management Group, Internal Control Department, Compliance Department and Directorate of Supervisory Board inform members of Committee through holding Risk Coordination Committee on a two week basis and Audit Committee and Board of Directors Risk Committee meetings held on quarterly basis. Issues determined in the framework of second and third lines of controls are examined in meetings for credit risk management and risk mitigation measures are reviewed. Those departments report to Board of Directors through Audit Committee and Board of Directors Risk Committee.

v. Disclosures regarding risk reporting processes provided to members of Board of Directors and senior management

Credit risk exposed by the Bank is monitored periodically by Risk Management Group Credit Risk and Modelling Unit and results are shared with senior managers of ALCO, credit marketing and allocation on a weekly basis, with Board of Directors and Risk Coordination Committee on a monthly basis and with Board of Directors Risk Committee on a quarterly basis. The scope and main content of aforementioned reports consist of sector, segment, risk classes, internal rating grades, collateral concentration of credit portfolio; close monitoring and legal proceedings portfolios, ageing analysis, probability of default estimations calculated based on rating and scoring systems, foreign currency and maturity concentrations, capital adequacy, periodical comparisons and result of stress test and scenarios analysis.

2. Credit quality of assets

31 December 2018		Gross carrying values of as per TAS		Allowances/	Net
Current Period		Defaulted exposures	Non-defaulted exposures	impairments	values
1	Loans	686.449	13.990.804	593.043	14.084.210
2	Debt Securities	-	633.184	85	633.099
3	Off-balance sheet exposures	25.307	2.319.967	35.017	2.310.257
4	Total	711.756	16.943.955	628.145	17.027.566

31 December 2017		Gross carrying values of as per TAS		Allowances/	Net
Current Period		Defaulted exposures	Non-defaulted exposures	impairments	values
1	Loans	345.661	13.099.181	277.649	13.167.193
2	Debt Securities	-	424.026	1	424.025
3	Off-balance sheet exposures	21.806	2.614.711	6.564	2.629.953
4	Total	367.467	16.137.918	284.214	16.221.171

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Changes in stock of defaulted loans and debt securities

31 December 2018		
1	Defaulted loans and debt securities at the end of the previous reporting period	367.467
2	Loans and debt securities that have defaulted since the last reporting period	864.467
3	Returned to non-defaulted status	-
4	Amounts written off (-)	249.936
5	Other changes	(270.242)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	711.756

31 December 2017		
1	Defaulted loans and debt securities at the end of the previous reporting period	250.023
2	Loans and debt securities that have defaulted since the last reporting period	152.876
3	Returned to non-defaulted status	-
4	Amounts written off (-)	-
5	Other changes	(35.432)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	367.467

4. Additional disclosures related to credit quality of assets:

i. Scope and descriptions of “overdue” receivables and “provisioned” receivables which are used for accounting and differences between descriptions of “overdue” and “provisioned”, if available.

Receivables having a delay of more than 90 days are defined as “overdue receivables”. There is no difference between “overdue receivable” and “provisioned” definitions since provision is made for the whole overdue receivables.

ii. Part of overdue receivables (more than 90 days) which are not evaluated as “provisioned” and reasons for this application:

None.

iii. Descriptions of methods used while determining provision amounts:

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 IFRS 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 IFRS 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

iv. Descriptions of restructured receivables:

Loans and other receivables can be restructured, through providing additional loan, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency.

v. Breakdown of receivables according to geographical regions, sector and residual maturity:

Separation of receivables according to geographical area (Cash and non-cash loans and follow-up receivables):

		31 December 2018	31 December 2017
1	Domestic	16.252.616	15.364.645
2	European Union Countries	149.205	15.850
3	OECD Countries (*)	-	-
4	Off-shore Banking Regions	-	-
5	USA, Canada	-	-
6	Other Countries	3.904	691
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-
8	Unallocated Assets / Liabilities	-	-
9	Total	16.405.725	15.381.186

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

Breakdown of receivables by sector (Cash and non-cash loans and follow-up receivables):

		31 December 2018	31 December 2017
1	Agriculture	29.918	45.857
2	Farming and Stockbreeding	27.591	40.799
3	Forestry	-	45
4	Fishery	2.327	5.013
5	Manufacturing	4.677.722	4.249.695
6	Mining and Quarrying	926.300	696.885
7	Production	2.891.842	2.860.885
8	Electricity, Gas and Water	859.580	691.925
9	Construction	4.588.368	4.289.802
10	Services	7.109.717	4.989.292
11	Wholesale and Retail Trade	1.628.629	1.511.367
12	Accommodation and Dining	1.479.682	1.164.710
13	Transportation and Telecom	499.455	574.441
14	Financial Institutions	1.094.415	1.114.421
15	Real Estate and Rental Services	460.771	535.828
16	Professional Services	7.202	13.391
17	Educational Services	23.974	24.601
18	Health and Social Services	47.463	50.533
19	Other	1.868.126	1.806.540
20	Total	16.405.725	15.381.186

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Separate receivables according to remaining demand (Cash and non-cash loans and follow-up receivables):

31 December 2018	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
Cash and Non-cash Loans	3.576.434	1.855.500	3.687.922	5.247.405	1.546.762	491.702	16.405.725
31 December 2017							
Cash and Non-cash Loans	2.486.729	1.728.639	3.517.395	6.106.205	1.373.428	168.790	15.381.186

(*) In the table above, leasing receivables are not included in total loans for the prior period.

vi. Amounts of receivables provisioned based on geographical regions and sector and amount written-off from assets through related provisions

Geographical and sectoral breakdowns of impaired and overdue receivables and provisions made for those receivables and value adjustments are in the below table and all amounts included are domestic.

	31 December 2018		31 December 2017	
	Non Performing Loan	Special Provision	Non Performing Loan	Special Provision
1 Agriculture	5.382	2.906	6.885	5.730
2 Farming and Stockbreeding	4.815	2.342	6.263	5.132
3 Forestry	539	539	566	542
4 Fishery	28	25	56	56
5 Manufacturing	156.510	65.966	131.296	82.920
6 Mining and Quarrying	5.945	3.696	14.869	12.611
7 Production	150.561	62.266	116.230	70.112
8 Electricity, Gas and Water	4	4	197	197
9 Construction	161.676	30.692	91.281	32.147
10 Services	225.184	75.557	104.968	54.373
11 Wholesale and Retail Trade	87.006	40.156	78.248	45.792
12 Accommodation and Dining	2.690	1.428	6.279	2.779
13 Transportation and Telecom	76.866	19.214	9.008	2.173
14 Financial Institutions	1.501	279	1.267	172
15 Real Estate and Rental Ser.	51.070	13.118	1.177	496
16 Professional Services	188	56	827	827
17 Educational Services	4.931	1.127	4.932	1.237
18 Health and Social Services	932	179	3.230	897
19 Other	137.697	19.626	11.231	7.135
20 Total	686.449	194.747	345.661	182.305

Provisions allocated for write-offs in receivables amount to TL 249.936, and this amount belongs to domestic receivables. 75% percent of the amount written-off is related to the manufacturing industry while 9% is related to wholesale and retail trade and 16% is related to other sectors.

vii. Aging analysis for overdue receivables.

Aging analysis for overdue receivables are included in Section Four II.b.

viii. Breakdown of restructured receivables based on being provisioned or not.

Specific and general provision are allocated for restructured receivables and free provision is allocated for miscellaneous risks in accordance with IFRS 9 and 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” (“Provisioning Regulation”) and there is no situation in which no provision is made.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

d. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

Collaterals obtained as guarantees of credits are secondary repayment sources of credits. Therefore, it should be considered that market values of assets and commitments, obtained as collaterals, are measureable and whether they have a second hand market or not. Collaterals accepted by Banks are listed in Corporate Credit Policy and its annexes.

Collaterals, which should be received as a guarantee for each credits and loan to value ratio with respect to those collaterals are determined during the allocation of credits. Related approval authority is authorized to determine a laon to value ratio for each customer and credit. If assets traded on markets having higher level of volatility are received as collaterals, a prudential loan to value rate is determined through considering maturity of the credit and price volatility of the asset.

Short term fluctuations in fair value of assets are not considered in evaluation of collaterals. Regular reviews of collaterals such as property and cheque whose change of value and translation to cash ability can not be monitored simultaneously are made. Market value of properties received as collateral are reviewed in accordance with rules determined by BRSA and internal rules determined in related policies.

Insuring of collaterals against possible losses is preferred, when possible. Insurance of properties, vehicles and equipment, received as collateral, is compulsory as wells as its renewal as long as the credit risk of the insured continues.

In collateralized credit transactions, additional collateral should be received in case of the revaluation of the collateral shows that there is a significant decrease on the collateral and actual loan to value ratio is under the contractual loan to value ratio.

Establishment of type of collateral guarantor in a versatility preventing concentration on collateral providers and geography, is one of the main principles.

The Bank considers collaterals in its calculations for principal amount subject to credit risk in accordance with rules mentioned in Communique on Measurement and Evaluation of Bank’s Capital Adequacy and its annexes and Communique on Risk Mitigation Techniques.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Credit risk mitigation techniques

		Exposures unsecured carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
	31 December 2018							
1	Loans	7.524.343	6.559.867	4.518.313	-	-	-	-
2	Debt securities	633.099	-	-	-	-	-	-
3	Total	8.157.442	6.559.867	4.518.313	-	-	-	-
4	Of which defaulted	508.497	-	-	-	-	-	-

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
	31 December 2017							
1	Loans	7.838.230	5.328.963	4.038.071	1.247	1.247	-	-
2	Debt securities	424.025	-	-	-	-	-	-
3	Total	8.262.255	5.328.963	4.038.071	1.247	1.247	-	-
4	Of which defaulted	180.862	-	-	-	-	-	-

e. Credit Risk if the Standard Approach is used

1. Qualitative Disclosures which shall be made related to Rating Grades used in the calculation of Credit Risk with Standard Approach by Banks

Credit Risk if the Standard Approach is used

Fitch Grades are used in credit risk standard approach calculations by the Bank.

Grades of Fitch Credit Rating are taken into consideration for claims on sovereign and claims on banks and other financial institutions.

Rating assigned to a debtor is taken into account for all assets of the debtor.

CRA, which is not included in twinning table of the institution, is not used.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

	31 December 2018	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	3.292.423	-	4.168.327	-	1.487.927	35,7%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	38	-	8	8	95,0%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	248.463	230.500	248.463	186.082	255.645	58,8%
7	Exposures to corporates	7.753.091	2.119.135	7.217.266	1.265.199	8.210.864	96,8%
8	Retail exposures	602.898	86.175	561.633	32.718	433.071	72,9%
9	Exposures secured by residential property	784.745	19.751	741.257	7.332	261.774	35,0%
10	Exposures secured by commercial real estate	4.845.417	43.028	4.694.293	29.772	3.367.470	71,3%
11	Past-due loans	491.702	-	396.012	-	450.817	113,8%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	729.209	-	729.209	-	644.952	88,4%
17	Equity Investment	-	-	-	-	-	-
18	Total	18.747.948	2.498.627	18.756.460	1.521.111	15.112.528	74,5%

	31 December 2017	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	2.393.128	-	3.509.903	-	437.223	12,5%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	272	63	272	13	285	99,9%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	199.749	113.371	199.748	55.578	102.541	40,2%
7	Exposures to corporates	8.197.033	2.087.104	7.371.908	1.176.588	8.150.458	95,3%
8	Retail exposures	532.669	133.173	491.268	46.558	390.893	72,7%
9	Exposures secured by residential property	648.693	36.490	603.204	13.847	215.852	35,0%
10	Exposures secured by commercial real estate	3.716.428	36.523	3.515.951	16.017	2.404.924	68,1%
11	Past-due loans	163.356	-	163.356	-	168.819	103,3%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	468.521	228.947	468.521	57.787	474.243	90,1%
17	Equity Investment	-	-	-	-	-	-
18	Total	16.319.849	2.635.671	16.324.131	1.366.388	12.345.238	69,8%

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Standardised approach – exposures by asset classes and risk weights

31 December 2018											Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%		
1	Exposures to central governments or central banks	2.680.400	-	-	-	-	1.487.927	-	-	-	4.168.327
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	8	-	-	-	8
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	148.266	-	120.573	-	165.706	-	-	434.545
7	Exposures to corporates	58.982	-	165.218	-	163.914	-	8.091.329	3.022	-	8.482.465
8	Retail exposures	11.154	-	7.718	-	326	575.153	-	-	-	594.351
9	Exposures secured by residential property	663	-	-	747.926	-	-	-	-	-	748.589
10	Exposures secured by commercial real estate	577	-	303	-	2.711.552	-	2.011.633	-	-	4.724.065
11	Past-due loans	86	-	-	-	9.394	-	267.358	119.174	-	396.012
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-
17	Other receivables	84.257	-	-	-	-	-	644.952	-	-	729.209
18	Total	2.836.119	-	321.505	747.926	3.005.759	575.153	12.668.913	122.196	-	20.277.571

31 December 2017											Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%		
1	Exposures to central governments or central banks	3.072.680	-	-	-	-	437.223	-	-	-	3.509.903
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	285	-	-	-	285
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	157.550	-	53.489	-	44.287	-	-	255.326
7	Exposures to corporates	69.472	-	227.044	-	296.139	-	7.953.564	2.277	-	8.548.496
8	Retail exposures	12.639	-	5.199	-	555	519.433	-	-	-	537.826
9	Exposures secured by residential property	328	-	4	616.719	-	-	-	-	-	617.051
10	Exposures secured by commercial real estate	12.581	-	357	-	2.228.354	-	1.290.676	-	-	3.531.968
11	Past-due loans	1	-	-	-	23.343	-	105.744	34.268	-	163.356
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-
17	Other receivables	52.065	-	-	-	-	-	474.243	-	-	526.308
18	Total	3.219.766	-	390.154	616.719	2.601.880	519.433	10.306.022	36.545	-	17.690.519

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

f. Disclosures regarding Counterparty Credit Risk

1. Qualitative Disclosures on Counterparty Credit Risk

i. Objectives and policies of risk management with respect to CCR,

Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope. The Bank ensures timely and accurate briefing for senior management and related departments (ALCO and Capital Markets, Treasury Sales, Credit Tracking and Credit Collection Departments and Chairman of Risk Management Group, Marketing, Credits and Treasury, Deputy General Managers responsible for Capital Markets and Financial Institutions) and assignment of appropriate staff for measurement and monitoring for the purpose of an effective counterparty credit risk management. Senior Management is responsible for understanding significance and level of counterparty credit risk taken by the Bank.

The Bank allocates limits approved on the basis of customer and approved in different level of authorization in order to manage counterparty credit risk. Those limits are determined in a way including risk, which shall be taken, instrument and maturity information and periodically reviewed.

Activities, job definitions and responsibilities related to management, measurement, monitoring and reporting of counterparty credit risk are determined through policies and procedures. Counterparty credit risks can be simultaneously controlled on treasury system and early warning limit excess mechanisms are triggered if the use of limits are over 80%.

The Bank uses mark-to-market approach in order to measure counterparty credit risk and therefore, determines coefficients (add-on) used in order to add current market value through multiplying nominal amount of transaction for the purpose of establishing the risk exposed by counterparty until the maturity. Aforementioned coefficients are calculated based on market data obtained from independent data providers and it is principal that aforementioned coefficients should be lower than coefficients determined in Part 3 of Annex -2 of Communiqué on Measurement and Evaluation of Bank’s Capital Adequacy prepared by BRSA and coefficients used in legal capital calculations. Market Risk Department reviews add-on coefficients with updated market data periodically reserving its right to update add-on coefficients more frequently if the volatility increases.

Besides, senior management is periodically supported with stress tests for business lines, Treasury and Credit Allocation decision making processes.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

ii. Operational limit allocation method determined in scope of calculated internal capital for CCR and central counterparty risk

The Bank assigns limits mentioned in transactions causing counterparty credit risk and central counterparty credit risk in accordance with principles determined in credit policies. It is principal to select customers having a high creditability and sufficient collateral conditions. Therefore, compliance of off-balance sheet transactions subject to CCR to in-balance sheet position of the customer in addition to creditability and collateral conditions of the customer, should be especially considered while allocating limits of the customer subject to such risks. Exchange rate and maturity compliance of in/off balance sheet transactions of the Customer and the customer having a foreign currency income reducing foreign currency risk to a minimum level are other important components which are considered while allocating aforementioned limits. The Bank should be careful in not allocating high level of leverage and/or long term off balance sheet transaction limits.

The Bank performs its treasury limit allocation in line with its Financial Institutions Credit Allocation and Borrowing Policy for those whose counterparty is a financial institution.

Daily Exchange Limit, Total Lending Limits, Issuer limit, Limit before Exchange and Total nominal limit are allocated for financial institutions.

A limit before exchange is allocated for customers apart from financial institutions.

The Bank is not exposed to central counterparty credit risk on non-consolidated basis.

If it is on consolidation basis, there is a minimal central counterparty risk exposure in scope of products offered to customers of Burgan Yatırım A.Ş. Commercial risks and capital requirements are calculated for central counterparty risk and amounts of guarantee fund respectively.

iii. Policies towards determination of Guarantee and other risk mitigations and CCR including central counterparty risk:

International Swaps and Derivatives Association (ISDA), Credit Support Annex (CSA) and/or Global Master Repurchase Agreement (GMRA), which have international validity, are concluded in counterparty credit risk management with respect to financial institutions and collateral management process is operated on a daily basis.

Collateralization principles and procedures within the framework of credit policies applied at Bank for companies apart from financial institutions and individuals.

iv. Rules with respect to Counter-trend risk

The Bank uses results of counterparty stress test performed periodically related to counter-trend risk and evaluates impact of deterioration in macro-economic conditions on credit risk of the customer.

v. Amount of additional collateralization, which have to be provided by the Bank if there exist a decline in credit rating grade.

There exists no additional collateral amount, which have to be provided by the Bank if there exists a decline in credit rating grade.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Assessment of Counterparty Credit Risk According To The Models Of Measurement

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
	31 December 2018						
1	Standart Approach-CCR	-	-		-	-	-
2	Internal Model Approach - (for derivative financial instruments, repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					1.367.515	592.223
4	Comprehensive Method for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					-	-
5	Value at risk for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions					-	-
6	Total					1.367.515	592.223

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
	31 December 2017						
1	Standart Approach-CCR	-	-		-	-	-
2	Internal Model Approach - (for derivative financial instruments, repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)			-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					713.004	380.220
4	Comprehensive Method for Credit Risk Mitigation - (for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions)					-	-
5	Value at risk for repo transactions, marketable securities or commodity lending or borrowing transactions, transactions with long swap periods and overdraft securities transactions					-	-
6	Total					713.004	380.220

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Credit Valuation Adjustment (CVA) Capital Charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	31 December 2018		
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-
3	All portfolios subject to Standardised CVA capital obligation	1.367.515	176.379
4	Total amount of CVA capital adequacy	1.367.515	176.379

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	31 December 2017		
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-
3	All portfolios subject to Standardised CVA capital obligation	713.004	96.353
4	Total amount of CVA capital adequacy	713.004	96.353

4. Standardised approach – CCR exposures by regulatory portfolio and risk weights

31 December 2018										Total credit risk
Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other		
Central governments and central banks receivables	8.928	-	-	-	-	6.327	-	-	-	15.255
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	171.306	-	494.046	564.751	-	320	-	-	-	1.230.423
Corporate receivables	-	-	3.106	565	-	116.841	-	-	-	120.512
Retail receivables	-	-	-	-	1.325	-	-	-	-	1.325
Mortgage receivables	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	180.234	-	497.152	565.316	1.325	123.488	-	-	-	1.367.515

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

4. Standardised approach – CCR exposures by regulatory portfolio and risk weights (Continued):

31 December 2017									
Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Central governments and central banks receivables	-	-	-	-	-	2.074	-	-	2.074
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	198.883	-	87.727	309.751	-	470	-	-	596.831
Corporate receivables	1.172	-	-	7.750	-	104.578	-	-	113.500
Retail receivables	-	-	-	-	599	-	-	-	599
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	200.055	-	87.727	317.501	599	107.122	-	-	713.004

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

5. Composition of collateral for CCR exposure

31 December 2018	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	-	-
Cash - Foreign Currency	-	-	-	-	171.306	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	-	-	-	-	171.306	-

31 December 2017	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	1.172	-
Cash - Foreign Currency	-	-	-	-	198.883	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	-	-	-	-	200.055	-

6. Credit derivatives:

None.

7. Risks to Central Counterparty:

The Bank is not exposed to central counterparty credit risk on unconsolidated basis.

On the consolidated basis, there is a minimal CCP risk exposure in scope of products offered to customers of Burgan Yatırım A.Ş.. Capital requirements are calculated for commercial risks and amounts of guarantee fund within an alternative method for CCP risks.

h . Securitization disclosures:

None.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

j. Disclosures on Market Risk

1. Qualitative information which shall be disclosed to public related to market risk

- i.** The Bank defines market risk as the potential financial loss which may occur as a result of fluctuations in capital markets. The aforementioned loss can occur due to fluctuations on share prices, interest rates, commodity prices and exchange rate.

The purpose of controlling and observance on market risk is to control and monitor impacts of markets risks on gain and economic value. In a more detail expression, the purpose of market risk control and audit is to protect Bank from unexpected market losses and to establish transparent, objective and consistent market risk information which shall form a basis for decision making process.

Market Risk is managed by Treasury, Capital Markets and Financial Institutions. The Bank limits the market risk which shall be exposed for different risk factors in the framework of risk appetite. The framework of the limit and tracking method is determined with Treasury Risk Parameters document approved by Board of Directors and limits are reviewed at least on an annual basis.

- ii.** Management of market risk is under responsibility of Treasury, Capital Markets and Financial Markets, which generate risk at primary level. Second line controls are provided through independent risk management and internal control functions. Treasury Internal Control Department is established under Market Risk Department and Directorate of Internal Control Department which operates independent of risk generating departments/units in the framework of authorizations and frameworks described at the Bank.

Third line of controls are made through audits of treasury processes and market risk management made periodically by Directorate of Supervisory Board. The audits in question reviews compliance of market risk management to BRSA regulations related to market risk and policy and procedures of Group and Bank, monitoring of limit usages and reporting related to limit excesses and market risk.

- iii.** The Bank uses Historical Simulation Method as internal method for market risk. one sided 99% confidence level, historical data belonging to working days in past two years and 10 days of holding period are taken into consideration in the calculation. The Bank also calculates stressed value at risk on a daily basis.

Treasury Risk Parameters are monitored by Market Risk Unit during the day and at the end of day and use of limits and related other analysis are reported to ALCO, Risk Committee, Audit Committee, Risk Coordination Committee and Board of Directors.

Early warning levels for limit usage are determined and the way, which shall be applied in case of an early warning or final limit excess, is stated clearly in Treasury Risk Parameters.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

j. Disclosures on Market Risk (continued):

Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate (DV01), option vega limits and loss limits determined for trading portfolio. Some of these limits are monitored on consolidated basis, while others are monitored by the subsidiaries via independent limits from the Parent Bank, however all usages are followed up through daily reporting in the Parent Bank.

2. Market risk under standardised approach

31 December 2018		Risk Weighted Asset
	Outright products	
1	Interest rate risk (general and specific)	73.982
2	Equity risk (general and specific)	-
3	Foreign exchange risk	113.595
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	36
7	Scenario approach	-
8	Securitisation	-
9	Total	187.613

31 December 2017		Risk Weighted Asset
	Outright products	
1	Interest rate risk (general and specific)	79.062
2	Equity risk (general and specific)	-
3	Foreign exchange risk	36.320
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	327
7	Scenario approach	-
8	Securitisation	-
9	Total	115.709

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

IV. EXPLANATIONS ON OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Method" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337. The operational risk capital requirement dated 31 December 2018 was calculated using the year 2015, 2016, 2017 revenues.

Annual gross income is calculated through deducting profit/loss sourcing from sales of securities tracked in available for sale and held to maturity securities accounts and extraordinary income, activity expenses made in return for support service and amounts compensated from insurance from total of net amount of interest revenues and non-interest revenues.

31 December 2018	2 Prior Period Value	1 Prior Period	Current Period value	Total / Total number of years for which gross	Rate (%)	Total
Gross Income	384.619	422.416	514.290	440.442	15	66.066
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	825.828

31 December 2017	2 Prior Period Value	1 Prior Period	Current Period value	Total / Total number of years for which gross	Rate (%)	Total
Gross Income	289.374	384.619	422.416	365.470	15	54.820
Amount subject to operational risk (Total*12,5)	-	-	-	-	-	685.256

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

V. EXPLANATIONS ON CURRENCY RISK:

The difference between the Bank’s foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the “Net Foreign Currency Position” and it is the basis of currency risk. Another important dimension of the currency risk is the change in the exchange rates of different foreign currencies in “Net Foreign Currency Position” (cross currency risk).

A series of limits for the tenure of spot and forward foreign exchange positions 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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
31 December 2018/31 December 2017				
Bid rate	6,0422 TL	4,5155 TL	5,2810 TL	3,7719 TL
1. Day Bid Rate	6,0422 TL	4,5155 TL	5,2810 TL	3,7719 TL
2. Day Bid Rate	6,0280 TL	4,5478 TL	5,2609 TL	3,8104 TL
3. Day Bid Rate	6,0245 TL	4,5385 TL	5,2889 TL	3,8197 TL
4. Day Bid Rate	6,0185 TL	4,5116 TL	5,2832 TL	3,8029 TL
5. Day Bid Rate	6,0419 TL	4,5205 TL	5,3034 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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Arithmetic average - 30 days	6,0359 TL	4,5508 TL	5,3010 TL	3,8440 TL

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

V. EXPLANATIONS ON CURRENCY RISK (Continued):

Information on currency risk of the Bank:

	EUR	USD	Other FC	Total
31 December 2018				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	508.246	862.358	2.534	1.373.138
Due From Banks	6.566	152.283	32.583	191.432
Financial Assets at Fair Value Through Profit or Loss (*)	49.865	56.271	52	106.188
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	11.076	123.211	-	134.287
Loans (*)	5.943.090	3.631.878	3.173	9.578.141
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	-	236.801	-	236.801
Hedging Derivative Financial Assets (*)	223	11.809	-	12.032
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	221	59.137	-	59.358
Total Assets	6.519.287	5.133.748	38.342	11.691.377
Liabilities				
Bank Deposits	84.895	8.020	3.479	96.394
Foreign Currency Deposits	1.402.392	4.176.686	158.679	5.737.757
Funds From Interbank Money Market	-	171.306	-	171.306
Funds Borrowed From Other Financial Institutions	647.478	5.251.716	-	5.899.194
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	413.956	412.559	29.420	855.935
Hedging Derivative Financial Liabilities	1.368	9.003	-	10.371
Other Liabilities (*)	24.997	59.614	88	84.699
Total Liabilities	2.575.086	10.088.904	191.666	12.855.656
Net On-balance Sheet Position	3.944.201	(4.955.156)	(153.324)	(1.164.279)
Net Off-balance Sheet Position	(3.725.874)	5.169.438	154.138	1.597.702
Financial Derivative Assets	1.190.133	8.236.853	207.430	9.634.416
Financial Derivative Liabilities	4.916.007	3.067.415	53.292	8.036.714
Non-Cash Loans (**)	725.771	945.549	51.561	1.722.881
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 578.154 (31 December 2017: TL 831.039) classified as Turkish Lira assets in the 31 December 2018 financial statements are added to the table above. Furthermore, in foreign currency assets “Income Accruals of Derivative Financial Instruments” amounting to TL 190.252 (31 December 2017: TL 21.351) and “Stages 1&2 Allowances for Expected Credit Losses” amounting to TL 347.706 (31 December 2017: None), in foreign currency liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 14.433 (31 December 2017: TL 54.410) and “Stages 1&2 Allowances for Expected Credit Losses” amounting to TL 20.877 TL (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 3.886 (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”.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

V. EXPLANATIONS ON CURRENCY RISK (Continued):

Currency risk sensitivity analysis:

If foreign currency appreciated/depreciated against TL at a ratio of 10% and all other variables remain fixed as of 31 December 2018 and 2017, changes, which shall occur in net profit and equity regardless of tax effect due to exchange rate loss/profit sourcing from foreign currency net monetary position, are as follows:

	31 December 2018				31 December 2017			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	4.804	(4.804)	5.370	(5.370)	782	(782)	1.405	(1.405)
EUR	(972)	972	(1.149)	1.149	3.160	(3.160)	3.160	(3.160)
Other currency units	(34)	34	(34)	34	(517)	517	(517)	517
Total, net	3.798	(3.798)	4.187	(4.187)	3.425	(3.425)	4.048	(4.048)

(*) The equity effect also includes the effects of the income statement.

VI. EXPLANATIONS ON INTEREST RATE RISK:

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Bank’s interest rate sensitive assets and liabilities. The interest sensitivity of risks regarding the interest rate both on the on-balance sheet and off-balance sheet are monitored following several analyses and are discussed in Asset and Liability Committee weekly.

The Bank closely monitors the maturity gap between liabilities and assets that may arise in the balance sheet to manage the interest rate risk better. Liquidity management is critical in the combination of investments, available-for-sale assets and the trading portfolio. Through using these precautions, the possible loss effects on the shareholders’ equity due to both credit risk and interest risk during the volatile periods of the market are minimized.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

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

31 December 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	2.418.287	-	-	-	-	328.107	2.746.394
Due From Banks	139.590	-	-	-	-	54.514	194.104
Financial Assets at Fair Value Through Profit/Loss (*)	115.230	401.061	597.746	37.481	11.094	-	1.162.612
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	73.323	77.373	158.479	74.433	4.912	388.520
Loans	6.152.434	1.894.252	3.972.167	1.514.741	60.462	491.702	14.085.758
Held-to-Maturity Investments	-	-	-	236.801	-	-	236.801
Other Assets	-	-	-	-	-	767.210	767.210
Total Assets	8.825.541	2.368.636	4.647.286	1.947.502	145.989	1.646.445	19.581.399
Liabilities							
Bank Deposits	3.464	84.609	-	-	-	8.651	96.724
Other Deposits	5.995.141	2.750.036	906.979	19.183	-	292.392	9.963.731
Funds From Interbank Money Market	1.920	169.386	-	-	-	-	171.306
Miscellaneous Payables	-	-	-	-	-	885.472	885.472
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1.786.775	2.549.823	1.571.273	5.390	-	-	5.913.261
Other Liabilities (*) (**)	92.573	127.615	95.840	85.540	857	2.148.480	2.550.905
Total Liabilities	7.879.873	5.681.469	2.574.092	110.113	857	3.334.995	19.581.399
Balance Sheet Long Position	945.668	-	2.073.194	1.837.389	145.132	-	5.001.383
Balance Sheet Short Position	-	(3.312.833)	-	-	-	(1.688.550)	(5.001.383)
Off-balance Sheet Long Position	389.965	600.267	1.269.489	-	-	-	2.259.721
Off-balance Sheet Short Position	-	-	-	(1.449.093)	-	-	(1.449.093)
Total Position	1.335.633	(2.712.566)	3.342.683	388.296	145.132	(1.688.550)	810.628

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 668.691 and other liabilities includes hedging derivative financial liabilities amounting to TL 70.273 classified to a related re-pricing periods.

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

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.975.239	-	-	-	-	52.088	2.027.327
Due From Banks	133.919	-	-	-	-	23.398	157.317
Financial Assets at Fair Value Through Profit/Loss	49.757	104.819	227.327	41.246	3.584	-	426.733
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	220	70.897	-	122.732	53.519	4.224	251.592
Loans	4.720.258	2.749.491	3.177.468	2.379.633	66.897	168.790	13.262.537
Held-to-Maturity Investments	-	-	-	171.218	-	-	171.218
Other Assets	-	-	-	-	-	510.585	510.585
Total Assets	6.879.393	2.925.207	3.404.795	2.714.829	124.000	759.085	16.807.309
Liabilities							
Bank Deposits	86.846	-	-	-	-	6.643	93.489
Other Deposits	5.608.546	2.182.603	712.796	54	-	330.627	8.834.626
Funds From Interbank Money Market	79.177	120.982	-	-	-	-	200.159
Miscellaneous Payables	-	-	-	-	-	272.791	272.791
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1.421.085	3.023.530	903.237	10.635	-	-	5.358.487
Other Liabilities (*)	73.212	51.692	29.737	68.546	114	1.824.456	2.047.757
Total Liabilities	7.268.866	5.378.807	1.645.770	79.235	114	2.434.517	16.807.309
Balance Sheet Long Position	-	-	1.759.025	2.635.594	123.886	-	4.518.505
Balance Sheet Short Position	(389.473)	(2.453.600)	-	-	-	(1.675.432)	(4.518.505)
Off-balance Sheet Long Position	411.915	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.

Interest rate sensitivity analysis :

Change in interest rate 31 December 2018	Profit/ Loss Effect	Effect on funds under equity
(+) 1%	(17.982)	(25.765)
(-) 1%	18.584	25.765

Change in interest rate 31 December 2017	Profit/ Loss Effect	Effect on funds under equity
(+) 1%	(18.865)	(15.276)
(-) 1%	19.843	15.276

In the above study, the effects of (+) 1% and (-) 1% change in interest rates on "capital back-up" items under period profit / loss and equity are shown excluding tax effects.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

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

31 December 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	-	2,00	-	13,00
Due From Banks	-	2,18	-	-
Financial Assets at Fair Value Through Profit/Loss	3,88	6,90	-	13,27
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,05	4,66	-	14,93
Loans	5,75	8,34	-	24,00
Financial Assets Measured at Amortized Cost	-	4,41	-	0,00
Liabilities				
Bank Deposits	1,94	-	-	-
Other Deposits (*)	2,55	5,06	-	22,88
Funds From Interbank Money Market	-	3,61	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,24	5,35	-	10,94

(*) 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

1. The measurement frequency of the interest rate risk with important estimations including those relating to the quality of the interest rate resulting from banking accounts, advance loan repayment and movements of deposits other than time deposits is explained by the following:

Interest rate risk resulting from the banking accounts is measured according to the month-end balance in accordance with "Regulation No. 28034 on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method", dated 23 August 2011.

Interest sensitive items are taken into consideration in accordance with the re-pricing period and depending on the estimated cash flows. Demand deposits are taken into account based on the core deposit calculations. The change calculated by implementing interest rate shocks on the differences created in accordance with the re-pricing periods of the assets and liabilities in the banking accounts is proportioned to the equities.

2. The table below presents the economic value differences 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	(32.900)	(0,9)%
2. TRY	-400 bp	29.284	0,8%
3. EURO	+200 bp	(12.191)	(0,4)%
4. EURO	-200 bp	(2.534)	(0,1)%
5. USD	+200 bp	(16.036)	(0,5)%
6. USD	-200 bp	18.444	0,5%
Total (For Negative Shocks)		45.194	1,3%
Total (For Positive Shocks)		(61.127)	(1,8)%

VII. EXPLANATIONS ON SHARE CERTIFICATE POSITION RISK:

None.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VIII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO:

Liquidity risk is the risk generated as a result of not having an effect or cash inflow at a level which can meet cash outflow, formed because of an imbalance in cash flow, timely and completely.

Effective liquidity risk management requires assigning appropriate staff for measurement and monitoring and timely informing management of the Bank. Board of Directors and senior management is responsible to understand the nature and level of the liquidity risk taken by the Bank and the instruments measuring these risks. Additionally, Board of Directors and Senior Management are responsible for the compliance of funding strategies to risk tolerance which is determined to be applied.

Liquidity risk management framework of the Bank is determined with “Burgan Bank Risk Management Policy” and “Burgan Bank Liquidity Risk Policy” documents approved by Bank’s Board of Directors and “Burgan Bank Risk Management Policy” and “Burgan Bank Treasury Policy” and “Burgan Bank Assets & Liabilities Management Committee (ALCO)” in scope of banking legislation.

Liquidity management is primarily under the responsibility of ALCO in accordance with the Liquidity Risk Management of the Bank. Treasury, Capital Markets and Financial Corporations Group are responsible to perform required actions in accordance with the liquidity standards determined in accordance with the Liquidity Risk Policy. Market Risk Departments is secondarily responsible and it is responsible to control and report compliance with the limits. Detailed information related to periodic and specific reports related to liquidity risk, stress tests, scenario tests, scenario analysis, compliance with risk limits and legal liquidity reports are included in Liquidity Risk Policy of the Bank.

Liquidity risk exposed by the Bank, risk appetite, liquidity risk reduction appropriate to liquidity and funding policies (diversification of funding sources and maturities, derivative transactions), establishment of effective control environment, risk limits, early warning and triggering market indicators are managed through monitoring closely.

The liquidity risk is removed by short term placements, liquid marketable assets wallet and strong equity structure in the management of liquidity risk. Board of Directors of Bank can perform limit reduction regardless of credit value in current placement limits when the volatility in markets increases. Management of the Bank and ALCO monitors possible marginal costs of payments and spurts as a result of studies made in scope of scenario analysis while tracking interest margin in diversified maturity segments between assets and liabilities. Borrowing limits which can be used in short-term for spurts from Central Bank, BIST Repo Market, Takasbank Money Market and banks are applied at a minimum level. The Bank does not need to use these sources because of its current liquidity position but it uses the aforementioned limits for short-term transaction opportunities. Assets, liabilities and positions on the basis of main types of currencies (currencies forming at least 5% of Bank’s total liabilities) are managed under the control of Treasury and Capital Markets.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

Although the Bank is responsible to comply with liquidity limitations which are determined internally, it is primarily obliged with minimum liquidity limits determined by the legal legislation. There should be no excess in liquidity limits in accordance with the Bank’s policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

Triggering market indicators are indicators which are tracked as early warning signals before the transition to stress environment which can form in the market as a result of ordinary business condition. Early warning limits related to liquidity risk in Bank are determined and aforementioned limits are monitored closely with the triggering market indicators.

Market Risk Department reports results of scenarios related to liquidity risk to Board of Directors, Risk Coordination Committee, Risk Committee and ALCO through making monthly calculations based on stress scenarios. These stress tests identify negative market conditions and potential fund outflows which occur in funding resources in a liquidity crisis. The purpose of stress test is to inform related committees and Board of Directors regarding liquidity outflows and derogation which can occur in the liquidity ratios of the Bank. Required actions are taken by ALCO if there are similar situations mentioned in stress scenarios.

An ALCO meeting is held with a call made by Treasury, Capital Markets and Deputy General Manager of Financial Corporations if there is a negative development sourcing from the group or liquidity. Precautions which shall be taken in this process are determined in scope of Liquidity Emergency Plan and details related to Liquidity Emergency Plan are included in Liquidity Risk Policy of the Bank.

The Bank has a central funding institution function in its relations with partners. Intra-group liquidity management and funding strategies are limited to related legal limitations.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

Liquidity Coverage Ratio:

31 December 2018		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets	-	-	3.347.817	1.974.193
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	7.702.237	3.759.645	740.445	375.964
3	Stable deposits	595.562	-	29.778	-
4	Less stable deposits	7.106.675	3.759.645	710.667	375.964
5	Unsecured Funding other than Retail and Small Business Customers Deposits	3.192.094	2.396.279	1.469.653	1.074.010
6	Operational deposits	1.343.105	1.163.458	335.776	290.864
7	Non-Operational Deposits	1.505.410	1.003.832	790.297	554.157
8	Other Unsecured Funding	343.579	228.989	343.580	228.989
9	Secured funding	-	-	-	-
10	Other Cash Outflows	10.735	893.471	10.735	893.471
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	10.735	893.471	10.735	893.471
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	2.540.248	1.843.111	320.141	222.528
16	TOTAL CASH OUTFLOWS			2.540.974	2.565.973
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	2.266.277	1.180.323	1.556.287	901.192
19	Other contractual cash inflows	36.091	-	36.091	-
20	TOTAL CASH INFLOWS	2.302.368	1.180.323	1.592.378	901.192
				Upper Bound Applied Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS			3.347.817	1.974.193
22	TOTAL NET CASH OUTFLOWS			948.596	1.664.781
23	Liquidity Coverage Ratio (%)			352,92	118,59

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

31 December 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

Liquidity coverage rate is calculated through estimating high quality liquid assets owned by the Bank to net cash out flows based on 30 days of maturity. Balance items which are determinant on the ratio are sorted as required reserves kept in Central Bank of Turkey, securities which are not subject to repo/guarantee, deposit having a corporate transaction, banks deposits, foreign sourced funds and receivables from banks. The impacts of aforementioned items on liquidity coverage ratio are higher than other items since they have a higher share in liquid assets and net cash out flows and they can change in time.

High quality liquid assets of the Bank consist of accounts in Central Bank of Turkey, at a ratio of 84% and securities issued by Undersecretariat of Treasury at a ratio of 13%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 33%,44% and 7% 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.

Date	FC	FC + TL
31 December 2018	106.568	106.568

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 31 December 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 (%)	155,57%	479,64%	90,94%	289,99%
Week	07.12.2018	28.12.2018	12.10.2018	05.10.2018

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 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	635.079	2.111.315	-	-	-	-	-	2.746.394
Due From Banks	54.514	139.590	-	-	-	-	-	194.104
Financial Assets at Fair Value Through Profit or Loss (*)	-	70.346	276.715	258.342	543.057	14.152	-	1.162.612
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	77.373	231.802	74.433	4.912	388.520
Loans	-	2.110.578	1.686.900	3.122.133	5.127.749	1.546.696	491.702	14.085.758
Financial Assets Measured at Amortized Cost	-	-	-	-	236.801	-	-	236.801
Other Assets (**)	-	67.958	595	23.414	3.039	5.164	667.040	767.210
Total Assets	689.593	4.499.787	1.964.210	3.481.262	6.142.448	1.640.445	1.163.654	19.581.399
Liabilities								
Bank Deposits	8.651	3.464	84.609	-	-	-	-	96.724
Other Deposits	292.392	5.995.141	2.750.036	906.979	19.183	-	-	9.963.731
Funds Borrowed From Other Financial Institutions	-	101.403	136.375	1.687.827	3.183.193	804.463	-	5.913.261
Funds From Interbank Money Market	-	-	-	-	171.306	-	-	171.306
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	836.371	-	-	-	-	49.101	885.472
Other Liabilities (*) (***)	-	222.892	88.155	131.261	172.787	857	1.934.953	2.550.905
Total Liabilities	301.043	7.159.271	3.059.175	2.726.067	3.546.469	805.320	1.984.054	19.581.399
Net Liquidity Gap	388.550	(2.659.484)	(1.094.965)	755.195	2.595.979	835.125	(820.400)	-
Net Off-balance sheet Position	-	102.225	119.897	593.785	67.176	1.004	-	884.087
Financial Derivative Assets	-	3.689.981	2.562.125	1.307.557	1.608.226	1.623	-	9.169.512
Financial Derivative Liabilities	-	(3.587.756)	(2.442.228)	(713.772)	(1.541.050)	(619)	-	(8.285.425)
Non-cash Loans	-	1.465.856	168.600	565.789	119.656	66	-	2.319.967
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 TL 668.691 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 70.273. 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2018	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	12.120	84.769	-	-	-	96.889
Funds borrowed from other financial institutions	6.311.133	2.806.629	995.560	28.269	-	10.141.591
Funds from money market	121.508	174.817	1.820.065	3.441.804	859.978	6.418.172
Payables to money market	-	-	-	173.017	-	173.017
Total	6.444.761	3.066.215	2.815.625	3.643.090	859.978	16.829.668

31 December 2017	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	93.496	-	-	-	-	93.496
Funds borrowed from other financial institutions	5.956.286	2.213.385	737.156	73	-	8.906.900
Funds from money market	258.021	68.809	2.171.282	2.005.809	1.222.862	5.726.783
Payables to money market	1.206	-	70.058	130.298	-	201.563
Total	6.309.008	2.282.193	2.978.497	2.136.180	1.222.862	14.928.741

Derivative instruments of bank, counter-based maturity analysis:

31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	3.650.680	2.351.704	925.334	-	-	6.927.718
- Out	3.555.015	2.303.135	383.112	-	-	6.241.262
Interest rate derivatives:						
- Entry	8.136	6.326	15.283	27.286	1.623	58.654
- Out	7.197	3.748	11.239	26.058	619	48.861
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	30.598	200.846	366.940	1.580.940	-	2.179.324
- Out	24.795	132.509	315.139	1.498.895	-	1.971.338
Interest rate derivatives:						
- Entry	567	3.249	-	-	-	3.816
- Out	749	2.836	4.282	16.097	-	23.964
Total cash entry	3.689.981	2.562.125	1.307.557	1.608.226	1.623	9.169.512
Total cash out	3.587.756	2.442.228	713.772	1.541.050	619	8.285.425

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

Derivative instruments of bank, counter-based maturity analysis (continued):

31 December 2017	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	4.476.568	1.807.983	799.512	2.771	-	7.086.834
- Out	4.100.161	1.529.657	252.405	2.567	-	5.884.790
Interest rate derivatives:						
- Entry	1.962	4.698	11.234	18.143	1.848	37.885
- Out	1.096	2.529	4.184	6.186	571	14.566
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	24.045	12.517	120.172	1.459.895	-	1.616.629
- Out	26.113	16.481	151.498	1.447.815	-	1.641.907
Interest rate derivatives:						
- Entry	265	1.328	195	67	-	1.855
- Out	625	2.020	3.058	16.255	-	21.958
Total cash entry	4.502.840	1.826.526	931.113	1.480.876	1.848	8.743.203
Total cash out	4.127.995	1.550.687	411.145	1.472.823	571	7.563.221

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

IX. EXPLANATIONS ON LEVERAGE RATIO:

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

As of 31 December 2018, leverage ratio of the Bank calculated from the arithmetic average of the three months is 7,43% (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:

	31 December 2018 (*)	31 December 2017 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	20.587.910	16.842.135
(Assets deducted from Core capital)	58.335	56.269
Total risk amount of balance sheet assets	20.529.575	16.785.866
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	1.041.175	360.397
Potential credit risk amount of derivative financial assets and credit derivatives	156.092	117.001
Total risk amount of derivative financial assets and credit derivatives	1.197.267	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	3.594.290	3.161.106
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.594.290	3.161.106
Capital and total risk		
Core Capital	1.875.365	1.206.141
Total risk amount	25.321.132	20.424.370
Leverage ratio		
Leverage ratio	7,43%	5,91%

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

X. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 December 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 IFRS 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 668.691 (31 December 2017: TL 262.867) and derivative financial payables of which carrying amount is TL 70.273 (31 December 2017: TL 53.367), are subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, fair value income amounting to TL 40.690 (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 Fair Value		Hedging Funds (*)	Ineffective Part Accounted in the Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	660.860	66.918	78.520	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	7.831	3.355	2.696	-

(*) Includes TAS 27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in IFRS 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 31 December 2018 show that the cash flow hedging transactions shown above are effective.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES:

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions. The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank’s current interest rates as of balance sheet date. The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank’s current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value. The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities. The book value represents the sum of the acquisition cost and accumulated interest accruals of the related assets and liabilities.

The following table summarises the book values and fair values of some financial assets and liabilities of the Bank.

	Book Value		Fair Value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial Assets	15.347.446	13.842.664	16.258.823	13.963.723
Due from Money Market	-	-	-	-
Due from Banks (*)	636.282	157.317	636.317	157.317
Available-for-Sale Financial Assets	388.605	251.592	388.605	251.592
Held-to-maturity Investments	236.801	171.218	229.285	171.897
Loans	14.085.758	13.262.537	15.004.616	13.382.917
Financial Liabilities	16.859.188	14.559.393	16.904.438	14.564.453
Bank Deposits	96.724	93.489	96.712	93.480
Other Deposits	9.963.731	8.834.626	10.003.132	8.838.106
Borrowings	5.913.261	5.358.487	5.919.122	5.360.076
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	885.472	272.791	885.472	272.791

(*)Includes CBRT time deposit accounts.

b. Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows.

- Quoted market prices (non-adjusted) for identical assets or liabilities. (1st level)
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- Data not based on observable data regarding assets or liabilities (3rd level)

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

XI. EXPLANATION REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued):

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

31 December 2018	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	12.690	481.231	-	493.921
Government Debt Securities	11.974	-	-	11.974
Due from Money Market	-	-	-	-
Derivative financial assets at fair value through profit or	-	481.231	-	481.231
Other financial assets	716	-	-	716
Financial Assets at Fair Value Through other comprehensive				
income	383.193	5.412	-	388.605
Share Certificates	-	4.912	-	4.912
Government Debt Securities	383.193	-	-	383.193
Other financial assets	-	500	-	500
Derivative financial assets at fair value through other	-	668.691	-	668.691
comprehensive income				
Total Assets	395.883	1.155.334	-	1.551.217
Derivative financial liabilities at fair value through profit or				
loss	-	332.152	-	332.152
Derivative financial liabilities at fair value through other				
comprehensive income	-	70.273	-	70.273
Total Liabilities	-	402.425	-	402.425

31 December 2017	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	5.441	158.425	-	163.866
Government Debt Securities	5.310	-	-	5.310
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	158.425	-	158.425
Other Marketable Securities	131	-	-	131
Available for Sale Financial Assets (*)	246.647	4.945	-	251.592
Share Certificates	-	4.225	-	4.225
Government Debt Securities	246.647	-	-	246.647
Other Marketable Securities	-	720	-	720
Hedging Derivative Financial Assets	-	262.867	-	262.867
Total Assets	252.088	426.237	-	678.325
Trading Derivative Financial Liabilities	-	169.934	-	169.934
Hedging Derivative Financial Liabilities	-	53.367	-	53.367
Total Liabilities	-	223.301	-	223.301

(*) As noted in the footnote VII-d, written down values of available for sale securities are reported if the such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason. There are no transfer between 1st and 2nd levels in the current period.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

XII. EXPLANATION ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES:

Bank carries out marketable security trading and custody services on behalf of customers and on their account. The details of items held in custody is given in off-balance sheet commitments.

XIII. EXPLANATIONS ON OPERATING SEGMENTS:

The Bank manages its banking operations through three main business units: retail banking, corporate and commercial banking, SME and treasury.

Retail banking provides products and services to individual and small business customers. Products and services include primarily deposit, loan, credit card, automatic payment services, internet banking and other various banking services.

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade 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:

31 December 2018	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
Net Interest Income	141.202	523.553	(27.016)	-	637.739
Net Fees and Comissions	5.048	23.109	-	-	28.157
Trading Profit/Loss	7.089	14.072	45.217	-	66.378
Other Operating Income	2.956	13.535	-	-	16.491
Operating Income	156.295	574.269	18.201	-	748.765
Operating Costs (-)	94.757	357.577	33.214	98.392	583.940
Net Operating Income	61.538	216.692	(15.013)	(98.392)	164.825
Dividend Income	-	-	-	700	700
Income/Loss from subsidiaries based on equity method	-	-	-	33.668	33.668
Profit Before Tax	61.538	216.692	(15.013)	(64.024)	199.193
Tax Provisions (-)	13.539	47.672	(3.303)	(20.474)	37.434
Net Profit/Loss	47.999	169.020	(11.710)	(43.550)	161.759
Segment Assets	1.730.837	13.837.412	3.245.940	-	18.814.189
Investments in associates, subsidiaries and joint ventures	-	-	-	381.091	381.091
Unallocated Assets	-	-	-	386.119	386.119
Total Assets	1.730.837	13.837.412	3.245.940	767.210	19.581.399
Segments Liabilities	7.300.928	2.681.594	6.583.714	1.139.183	17.705.419
Unallocated Liabilities	-	-	-	1.875.980	1.875.980
Total Liabilities	7.300.928	2.681.594	6.583.714	3.015.163	19.581.399

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

31 December 2017	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
Net Interest Income	66.484	346.030	30.387	-	442.901
Net Fees and Comissions	5.834	25.182	-	-	31.016
Commercial Profit/Loss	7.850	18.635	(9.037)	-	17.448
Other Operating Income	2.748	11.859	-	-	14.607
Operating Income	82.916	401.706	21.350	-	505.972
Operating Costs (-)	68.023	218.061	25.850	71.865	383.799
Net Operating Income	14.893	183.645	(4.500)	(71.865)	122.173
Dividend Income	-	-	-	328	328
Income/(Loss) from subsidiaries based on equity method	-	-	-	17.168	17.168
Profit Before Tax	14.893	183.645	(4.500)	(54.369)	139.669
Tax Provisions (-)	2.978	36.729	(900)	(8.986)	29.821
Net Profit / Loss	11.915	146.916	(3.600)	(45.383)	109.848
Segment Assets	1.320.669	13.090.466	1.885.589	-	16.296.724
Investments in associates, subsidiaries and joint ventures	-	-	-	256.972	256.972
Unallocated Assets	-	-	-	253.613	253.613
Total Assets	1.320.669	13.090.466	1.885.589	510.585	16.807.309
Segments Liabilities	5.749.776	3.127.951	5.875.421	541.686	15.294.834
Unallocated Liabilities	-	-	-	1.512.475	1.512.475
Total Liabilities	5.749.776	3.127.951	5.875.421	2.054.161	16.807.309

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

a. Information related to cash and the account of Central Bank of the Republic of Turkey (“CBRT”):

1. Information on cash and the account of the CBRT:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Cash/Foreign currency	14.086	70.171	12.414	39.651
CBRT	1.359.170	1.302.967	1.022.011	953.251
Other	-	-	-	-
Total	1.373.256	1.373.138	1.034.425	992.902

2. Information on the account of the CBRT:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Demand Unrestricted Amount	1.159.045	549.040	955.529	6.766
Time Unrestricted Amount	200.125	241.688	66.482	-
Time Restricted Amount	-	512.239	-	946.485
Total	1.359.170	1.302.967	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 31 December 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%).

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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

1. As of 31 December 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:

	31 December 2018	
	TL	FC
Forward Transactions	19.713	4.002
Swap Transactions	177.441	225.372
Futures Transactions	-	-
Options	611	54.092
Other	-	-
Total	197.765	283.466

	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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

c. Information on banks:

1. Information on banks:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Banks				
Domestic	3.037	2.644	16	1.888
Foreign	-	188.788	-	155.413
Headquarters and Branches Abroad	-	-	-	-
Total	3.037	191.432	16	157.301

2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
EU Countries	37.439	11.617	-	-
USA, Canada	13.199	7.932	-	-
OECD Countries (*)	444	3.608	-	-
Off-shore Banking Regions	-	-	-	-
Others	137.706	132.256	-	-
Total	188.788	155.413	-	-

(*) OECD countries except EU countries, USA and Canada

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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

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

As of 31 December 2018, there are TL 31.699 available-for-sale financial assets given as collateral/blocked (31 December 2017: TL 53.202) and there are none subject to repurchase agreements. (31 December 2017: TL 96.867).

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

	31 December 2018
Debt Securities	404.851
Quoted on Stock Exchange	404.851
Not Quoted	-
Share Certificates	4.912
Quoted on Stock Exchange	-
Not Quoted	4.912
Impairment Provision (-)	21.158
Total	388.605

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

e. Explanations on loans:

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

	31 December 2018		31 December 2017	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	149.865	-	-
Corporate Shareholders	-	149.865	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	3.680	-	4.660	-
Total	3.680	149.865	4.660	-

2. Information on the first and second group loans and other receivables including the loans that have been restructured or rescheduled and other receivables:

i.

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Re-finance
Non-Specialized Loans	12.135.285	1.180.588	674.931	-
Loans given to enterprises	-	-	-	-
Export Loans	723.256	5.707	65	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	431.155	-	-	-
Consumer Loans	615.626	30.819	10.350	-
Credit Cards	-	-	-	-
Other (*)	10.365.248	1.144.062	664.516	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	12.135.285	1.180.588	674.931	-

(*) The Bank also has TL 7 factoring loans in the Other account.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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	-	647.155
3, 4 or 5 times	-	27.776
Over 5 times	-	-
Total	-	674.931

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	267.038
6 Months – 12 Months	-	10.567
1-2 Years	-	48.676
2-5 Years	-	329.809
5 Years and Over	-	18.841
Total	-	674.931

iv.

	Standard Loans	Loans and Other Receivables Under Close Monitoring
General Provisions	111.662	313.223
12 Month Expected Credit Losses (Stage I)	111.662	-
Significant Increase in Credit Risk (Stage II)	-	313.223

3. Distribution of cash loans according to their maturities:

	Standard Loans	Loans Under Close Monitoring	
		Loans without Revised Contract Terms	Restructured Loans
Short-term Loans	2.715.576	170.340	12.102
Medium and Long-term Loans	9.419.709	1.010.248	662.829
TOTAL	12.135.285	1.180.588	674.931

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	33.337	606.089	639.426
Real estate loans	-	90.926	90.926
Automotive loans	191	24.509	24.700
Consumer loans	33.146	490.654	523.800
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	98	5.753	5.851
Real estate loans	-	5.256	5.256
Automotive loans	-	-	-
Consumer loans	98	497	595
Other	-	-	-
Individual Credit Cards-TL	-	-	-
With installments	-	-	-
Without installments	-	-	-
Individual Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel Loans-TL	297	3.383	3.680
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	297	3.383	3.680
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	-	-	-
With installments	-	-	-
Without installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Credit Deposit Account-TL (Real Person)	7.838	-	7.838
Credit Deposit Account-FC (Real Person)	-	-	-
Total	41.570	615.225	656.795

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	13.806	1.218.939	1.232.745
Real estate Loans	-	-	-
Automotive Loans	69	3.523	3.592
Consumer Loans	13.737	1.215.416	1.229.153
Other	-	-	-
Commercial Installments Loans-FC Indexed	7.810	442.841	450.651
Real estate Loans	-	-	-
Automotive Loans	-	1.747	1.747
Consumer Loans	7.810	441.094	448.904
Other	-	-	-
Commercial Installments Loans-FC	79.078	5.008.650	5.087.728
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	79.078	5.008.650	5.087.728
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With installments	-	-	-
Without installments	-	-	-
Corporate Credit Cards-FC	-	-	-
With installments	-	-	-
Without installments	-	-	-
Credit Deposit Account-TL (Legal Person)	21	-	21
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	100.715	6.670.430	6.771.145

6. Loans according to types of borrowers:

	31 December 2018	31 December 2017
Public	-	-
Private	13.990.804	13.099.181
Total	13.990.804	13.099.181

7. Distribution of domestic and foreign loans:

	31 December 2018	31 December 2017
Domestic Loans	13.990.804	13.099.181
Foreign Loans	-	-
Total	13.990.804	13.099.181

8. Loans given to associates and subsidiaries;

	31 December 2018	31 December 2017
Direct Loans given to associates and subsidiaries	22.858	21.693
Indirect Loans given to associates and subsidiaries	-	-
Total	22.858	21.693

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

9. Specific provisions provided against loans:

	31 December 2018
Loans with Limited Collectability	27.807
Loans with Doubtful Collectability	57.490
Uncollectible Loans	109.450
Total	194.747

	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

10. 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 with limited collectability	Loans with doubtful collectability	Uncollectible loans
31 December 2018			
Gross amounts before the Provisions			
Restructured Loans	-	-	9.868

	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			
Gross amounts before the Provisions			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	6.069

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

ii. Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior Period End Balance	66.345	50.910	228.406
Additions (+)	687.285	62.315	114.867
Transfers from Other Categories of Non-performing Loans (+)	-	463.769	132.901
Transfers to Other Categories of Non-performing Loans (-)	463.769	132.901	-
Collections (-)	30.471	105.240	138.032
Write-offs (-)	-	-	-
Sold Portfolio (-) (*)	150.856	11.873	87.207
Corporate and Commercial Loans	150.856	11.873	81.353
Consumer Loans	-	-	5.497
Credit Cards	-	-	357
Other	-	-	-
Balance at the End of the Period	108.534	326.980	250.935
Specific Provision (-)	27.807	57.490	109.450
Net Balance on Balance Sheet	80.727	269.490	141.485

(*) The Bank sold non-performing loans amounting to TL 99.080 to Efes Varlık Yönetimi A.Ş for TL 305 on 28 June 2018 and sold non-performing loans amounting to TL 150.856 to Mega Varlık Yönetimi A.Ş for TL 275 on 28 December 2018 and, did write-off from the the Bank’s asset.

iii. Information on non-performing loans granted as foreign currency loans:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
31 December 2018			
Period-End Balance	14.801	94.619	50.609
Specific Provision (-)	5.337	33.862	30.660
Net Balance on balance sheet	9.464	60.757	19.949

	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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

iv. Information on non-performing loans based on types of borrowers:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans and other
31 December 2018			
Current Period (Net)	80.727	269.490	141.485
Loans Given to Real Persons and Legal Persons (Gross)	108.534	326.980	250.935
Specific Provision Amount (-)	27.807	57.490	109.450
Loans Given to Real Persons and Legal Persons (Net)	80.727	269.490	141.485
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)	-	-	-

1. Policy followed-up for the collection of uncollectible loans and other receivables::

The Bank aims to collect uncollectible loans and other receivables are collected through the liquidation of collaterals by legal procedures.

2. Explanations on the write-off policy:

The write off transactions from assets are performed in accordance with the regulation.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	III. Group:	IV. Group:	V. Group:
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (Net)	19.841	23.591	1.259
Interest Accruals and Valuation Differences	23.285	37.506	1.266
Provision Amount (-)	3.444	13.915	7
Prior Period (Net)	-	-	-
Interest Accruals and Valuation Differences	-	-	-
Provision Amount (-)	-	-	-

- g. Information on financial assets measured at amortized cost:**

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

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	222.667	-	171.218
Other	-	-	-	-
Total	-	222.667	-	171.218

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

None (31 December 2017: None).

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

	31 December 2018	31 December 2017
Government Bond	236.801	171.218
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	236.801	171.218

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

	31 December 2018	31 December 2017
Debt securities	236.801	171.218
Publicly-traded	236.801	171.218
Not publicly-traded	-	-
Provision for impairment	-	-
Total	236.801	171.218

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	31 December 2018	31 December 2017
Opening balance	171.218	161.607
Foreign exchange differences in monetary assets	65.583	9.611
Purchases during the year	-	-
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	236.801	171.218

h. Information on investments in associates (Net):

None (31 December 2017: None).

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	-

(*) The Board of Directors of Burgan Wealth Limited, the consolidated subsidiary of Burgan Yatırım, has applied to the Dubai Financial Services Institution (DFSI) in order start its liquidation process and to cancel its license, and the liquidation process of the company is still ongoing.

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair value
1	2.926.387	256.084	3.106	233.934	-	35.860	34.559	-
2 (*)	140.367	125.091	2.281	18.265	148	(2.192)	(17.391)	-

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Movement schedules of subsidiaries:

	31 December 2018	31 December 2017
Balance at the beginning of the Period	256.972	237.171
Movements during the Period	124.119	19.801
Purchases	116.000	-
Bonus Shares Obtained	70.000	-
Dividends from Current Year Income	33.668	17.168
Sales	-	-
Revaluation Increase/Decrease (*)	(95.549)	2.633
Impairment Provision	-	-
Balance at the end of the Period	381.091	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.

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

Subsidiaries	31 December 2018	31 December 2017
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	265.572	206.686
Finance Companies	-	-
Other Financial Subsidiaries	115.519	50.286
Total	381.091	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).

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

1. Information on tangible assets:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2017				
Cost	25.947	-	75.084	101.031
Accumulated depreciation (-)	3.447	-	42.207	45.654
Net book value	22.500	-	32.877	55.377
31 December 2018				
Net book value at beginning of the period	22.500	-	32.877	55.377
Additions	-	-	11.183	11.183
Disposals (-), net	-	-	63	63
Impairment (-)	-	-	-	-
Depreciation (-)	475	-	9.293	9.768
Revaluation Increase	1.725	-	0	1.725
Cost at Period End	27.672	-	80.516	108.188
Accumulated Depreciation at Period End (-)	3.922	-	45.812	49.734
Closing Net Book Value at Period End	23.750	-	34.704	58.454

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2016				
Cost	25.797	-	74.640	100.437
Accumulated depreciation (-)	2.997	-	38.441	41.438
Net book value	22.800	-	36.199	58.999
31 December 2017				
Net book value at beginning of the period	22.800	-	36.199	58.999
Additions	-	-	6.025	6.025
Disposals (-), net	-	-	679	679
Impairment (-)	-	-	-	-
Depreciation (-)	450	-	8.668	9.118
Revaluation Increase	150	-	-	150
Cost at Period End	25.947	-	75.084	101.031
Accumulated Depreciation at Period End (-)	3.447	-	42.207	45.654
Closing Net Book Value at Period End	22.500	-	32.877	55.377

m. Information on intangible assets:

1. Book value and accumulated depreciation at the beginning and at the end of the period:

	31 December 2018	31 December 2017
Gross Book Value	96.752	86.517
Accumulated Depreciation (-)	52.694	41.432
Net Book Value	44.058	45.085

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

2. Information on movements between the beginning and end of the period:

	31 December 2018	31 December 2017
Beginning of the Period	45.085	46.352
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	10.235	8.125
Disposals	-	-
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	11.262	9.392
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	44.058	45.085

n. Information on fair value hedging derivative financial assets

	31 December 2018	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	655.339	13.352
Foreign Net Investment Hedge	-	-
Total	655.339	13.352

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

o. Information on investment property:

None (31 December 2017: None).

p. Information on deferred tax asset:

As of 31 December 2018, Bank has netted-off the calculated deferred tax asset of TL 160.790 (31 December 2017: TL 19.982) and deferred tax liability of TL 166.993 (31 December 2017: TL 53.463) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 6.203 (31 December 2017: TL 33.481 net deferred tax liability) in the financial statements.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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

The Bank has assets held for resale amounting to TL 113.090 (31 December 2017: TL 45.085) and has no discontinued operations.

Prior Period	31 December 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	77.020	13.340
Disposals (-), net	8.146	12.977
Impairment (-)	869	397
Depreciation (-)	-	46
Cost	113.600	45.652
Accumulated Depreciation (-)	510	567
Closing Net Book Value	113.090	45.085

s. Information on other assets:

Other assets amount to TL 160.223 (31 December 2017: TL 108.066) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES:

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 December 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	31.698	-	364.605	2.199.389	565.681	124.414	305.627	-	3.591.414
Foreign Currency Deposits	172.899	-	485.371	4.041.452	748.184	86.839	203.012	-	5.737.757
Residents in Turkey	154.514	-	482.043	4.010.036	743.045	84.735	198.942	-	5.673.315
Residents Abroad	18.385	-	3.328	31.416	5.139	2.104	4.070	-	64.442
Public Sector Deposits	6.647	-	-	-	-	-	-	-	6.647
Commercial Deposits	79.691	-	158.635	176.130	14.444	33.257	26.208	-	488.365
Other Institutions Deposits	1.457	-	1.563	130.558	166	5.804	-	-	139.548
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	8.651	-	88.073	-	-	-	-	-	96.724
The CBRT	-	-	88.073	-	-	-	-	-	88.073
Domestic Banks	162	-	-	-	-	-	-	-	162
Foreign Banks	8.489	-	-	-	-	-	-	-	8.489
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	301.043	-	1.098.247	6.547.529	1.328.475	250.314	534.847	-	-10.060.455

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

2. Information on saving deposits insurance:
 - i. Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Saving Deposits				
Saving Deposits	931.241	696.957	2.660.173	2.148.831
Foreign Currency Savings Deposit	321.901	244.679	3.158.476	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	1.253.142	941.636	5.818.649	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:

	31 December 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	9.119	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	9.119	23.562

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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

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

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Derivative Financial Liabilities Held for Trading				
Forward Transactions	113.297	1.618	18.993	2.876
Swap Transactions	131.989	35.787	59.584	61.434
Futures Transactions	-	-	-	-
Options	-	49.461	307	26.740
Other	-	-	-	-
Total	245.286	86.866	78.884	91.050

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	14.067	58.404	37.019	78.001
From Foreign Banks, Institutions and Funds	-	4.241.318	-	4.102.885
Total	14.067	4.299.722	37.019	4.180.886

2. Information on maturity structure of borrowings:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Short-term	14.067	603.283	37.019	502.943
Medium and Long-term	-	3.696.439	-	3.677.943
Total	14.067	4.299.722	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 31 December 2018, deposits and borrowings from Bank’s risk group comprise 1,68% (31 December 2017: 1%) of total deposits. Besides this, Borrowings from Bank’s risk group comprise 66,08% (31 December 2017: 48%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2017: None).

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

e. Information on other foreign liabilities:

Other liabilities amounting to TL 1.040.214 (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:

None (31 December 2017: None).

g. Information on fair value hedging derivative financial liabilities:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	59.902	10.371	40.807	12.560
Foreign Net Investment Hedge	-	-	-	-
Total	59.902	10.371	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 IFRS 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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

2. Information on reserve for employment termination benefits:

Under the Turkish 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 Bank 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:

	31 December 2018	31 December 2017
Discount rate (%)	4,07	3,26
Salary increase rate (%)	11,50	8,50
Average remaining work period (Year)	11,40	11,80

Movement of reserve for employment termination benefits during the period:

	31 December 2018	31 December 2017
As of January 1	11.432	9.456
Service cost	2.162	1.705
Interest cost	1.242	1.056
Settlement cost	240	936
Actuarial loss/gain	(232)	763
Benefits paid (-)	1.942	2.484
Total	12.902	11.432

In addition, as of 31 December 2018 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 29.390 (31 December 2017: TL 21.652).

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

3. Other provisions:

i. Information on free provisions for possible risks:

No free provisions have been allocated in the current period for loans due to the implementation of IFRS 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 7.292 (31 December 2017: TL 6.936) for lawsuits, TL 32.838 (31 December 2017: TL 2.389) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 2.179 (31 December 2017: TL 1.911) for customer cheques commitments and TL 334 provisions for other receivables (31 December 2017: TL 236).

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

As of the balance sheet date, the provision related to the foreign currency difference of foreign indexed loans amount to TL 26 (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 31 December 2018, there is no corporate tax provision (31 December 2017: TL 7.696).

2. Information on taxes payable:

	31 December 2018	31 December 2017
Corporate Tax Payable	-	7.696
Taxation of Marketable Securities	9.727	8.567
Property Tax	78	104
Banking Insurance Transaction Tax	9.087	6.485
Value Added Tax Payable	493	550
Other	3.783	2.980
Total	23.168	26.382

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

3. Information on premium payables:

	31 December 2018	31 December 2017
Social Security Premiums-Employee	1.245	2.125
Social Security Premiums-Employer	1.911	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	85	147
Unemployment Insurance-Employer	171	292
Other	40	44
Total	3.452	5.548

4. Explanations on deferred tax liability:

As of 31 December 2018, the Bank has netted-off the calculated deferred tax asset of TL 160.790 (31 December 2017: TL 19.982) and deferred tax liability of TL 166.993 (31 December 2017: TL 53.463) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 6.203 (31 December 2017: TL 33.481 net deferred tax liability) in the financial statements.

As of 31 December 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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Carried Financial Loss (***)	238.716	-	52.517	-
Provisions for Legal Cases	7.292	6.936	1.604	1.526
General Provisions and Other Provisions	428.042	40.555	94.169	8.922
Employee Benefits Provision	16.336	19.323	3.594	4.250
Derivative Financial Instruments Valuation Difference	-	-	-	-
Unearned Income	30.847	24.015	6.786	5.284
Others	9.639	-	2.120	-
Deferred Tax Assets	730.872	90.829	160.790	19.982
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	28.090	27.102	3.756	3.728
Derivative Financial Instruments Valuation Difference	741.988	216.678	163.237	47.669
Other	-	9.388	-	2.066
Deferred Tax Liabilities	770.078	253.168	166.993	53.463
Deferred Tax Assets/(Liabilities) (Net)	(39.206)	(162.339)	(6.203)	(33.481)

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

The deferred tax asset/liability summary is as follows:

	31 December 2018	31 December 2017
Balance as of 1 January	(33.481)	(13.796)
Current year deferred tax income/(expense), net	(37.434)	(15.390)
Deferred tax charged to equity, net (*) (**)	64.712	(4.295)
Balance at the End of the Period	(6.203)	(33.481)

(*) Deferred tax expense accounted in equity due to the effects of TAS 27 amounts to TL (1.073).

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

(***) The Bank will be able to use its carried financial loss occurred in the current year amounted TL 238.716 in the calculation of corporate tax until 2023.

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

None (31 December 2017: None).

k. Information on subordinated loans:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate (%)
Burgan Bank K.P.S.C. (Main 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:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.599.472	-	1.140.582
Other Foreign	-	-	-	-
Total	-	1.599.472	-	1.140.582

	31 December 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	-	1.599.472	-	1.140.582
Subordinated Loans	-	1.599.472	-	1.140.582
Subordinated Debt Instruments	-	-	-	-
Total	-	1.599.472	-	1.140.582

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

I. Information on shareholders’ equity:

1. Presentation of paid-in capital:

	31 December 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	4.000.000

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	-	-
08.08.2018 (*)	2.057	361	-	1.696
Toplam	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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

I. Information on shareholders’ equity (Continued):

8. Information on marketable securities valuation reserve:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(8.303)	(8.999)	(2.366)	(143)
Foreign Currency Translation Difference	-	-	-	-
Total	(8.303)	(8.999)	(2.366)	(143)

9. Information on tangible assets revaluation reserve:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	19.610	-	18.075	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	1.413	-	-	-
Total	21.023	-	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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS:

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 December 2018	31 December 2017
Foreign currency buy/sell commitments	557.476	192.283
Loan limit commitments	117.343	149.606
Commitments for cheques	74.242	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	749.061	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:

	31 December 2018	31 December 2017
Letter of guarantees	1.686.184	1.740.052
Letter of credits	385.116	234.673
Other guarantees	145.330	36.130
Bank acceptance loans	103.337	107.766
Factoring guarantees	-	28
Total	2.319.967	2.118.649

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

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Irrevocable letters of guarantee	516.187	407.282	643.291	396.530
Revocable letters of guarantee	7.141	37.908	56.429	26.916
Letters of guarantee given in advance	4.485	225.758	7.571	157.427
Guarantees given to customs	25.205	63.836	29.024	70.284
Other letters of guarantee	43.657	354.725	19.740	332.840
Total	596.675	1.089.509	756.055	983.997

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS (Continued):

3. i. Total amount of non-cash loans:

	31 December 2018	31 December 2017
Non-cash loans given against cash loans	530.183	378.095
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	530.183	378.095
Other non-cash loans	1.789.784	1.740.554
Total	2.319.967	2.118.649

ii. Information on sectoral concentration of non-cash loans:

	31 December 2018				31 December 2017			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	2.816	0,47	5.547	0,32	2.135	0,28	11.845	0,87
Farming and Livestock	2.587	0,43	5.547	0,32	1.906	0,25	11.845	0,87
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,04	-	-	229	0,03	-	-
Manufacturing	136.589	22,88	789.236	45,81	185.436	24,42	730.196	53,73
Mining	64.282	10,77	183.117	10,63	64.056	8,43	126.684	9,32
Production	64.774	10,85	601.206	34,90	114.920	15,13	597.806	43,98
Electric, Gas, Water	7.533	1,26	4.913	0,29	6.460	0,85	5.706	0,42
Construction	114.034	19,10	466.943	27,10	156.492	20,60	362.735	26,69
Services	297.399	49,81	422.773	24,54	336.805	44,34	205.034	15,09
Wholesale and Retail Trade	30.865	5,17	106.608	6,19	65.451	8,62	43.200	3,18
Hotel and Food Services	469	0,08	627	0,04	7.598	1,00	19.458	1,43
Transportation and Telecommunication	23.209	3,89	14.743	0,86	26.452	3,48	4.980	0,37
Financial Institutions	220.587	36,94	174.788	10,15	219.187	28,86	63.844	4,70
Real Estate and Leasing Ser.	18.256	3,06	126.007	7,31	11.792	1,55	64.822	4,77
Professional Services	18	-	-	-	4.896	0,64	-	0,00
Education Services	2.070	0,35	-	-	106	0,01	1.698	0,12
Health and Social Services	1.925	0,32	-	-	1.323	0,17	7.032	0,52
Other	46.248	7,75	38.382	2,23	78.645	10,35	49.326	3,63
Total	597.086	100,00	1.722.881	100,00	759.513	100,00	1.359.136	100,00

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

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	572.860	1.053.383	18.220	26.715
Acceptance and Acceptance Loans	411	102.926	-	-
Letters of Credit	-	384.216	-	-
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	145.330	-	-
Total	573.271	1.685.855	18.220	26.715

(*) In addition to non-cash loans stated above, the Bank has non-cash loans classified as non-performing loans, amounting to TL 15.906. As of 31 December 2018, the Bank has recorded a TL 7.104 provision regarding these risks.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS (Continued):

b. Information on derivative financial instruments:

	31 December 2018	31 December 2017
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	20.123.385	21.022.928
Currency forward transactions	1.423.468	1.903.229
Currency swap transactions	11.193.245	10.644.593
Futures transactions	-	-
Options	7.506.672	8.475.106
Interest related derivative transactions (II)	13.564.104	10.390.390
Forward rate agreements	-	-
Interest rate swaps	13.564.104	10.390.390
Interest rate options	-	-
Interest rate futures	-	-
A. Total trading derivative transactions (I+II)	33.687.489	31.413.318
Types of hedging transactions	4.163.082	3.148.617
Fair value hedges	-	-
Cash flow hedges	4.163.082	3.148.617
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	4.163.082	3.148.617
Total derivative transactions (A+B)	37.850.571	34.561.935

c. Information on contingent assets and contingent liabilities:

As of 31 December 2018, the total amount of legal cases against the Bank is TL 54.164 (31 December 2017: TL 57.174) and the Bank sets aside a provision of TL 7.292 (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.

d. 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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT:

a. Information on interest income:

1. Information on interest income on loans:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-term Loans	584.272	38.019	357.198	16.240
Medium/Long-term Loans	503.958	527.758	381.154	373.805
Interest on Loans Under Follow-up	3.759	-	4.056	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	1.091.989	565.777	742.408	390.045

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

2. Information on interest income on banks:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
From the CBRT	58.205	-	11.842	-
From Domestic Banks	14.496	1.076	12.293	1.053
From Foreign Banks	-	4.757	-	60
Headquarters and Branches Abroad	-	-	-	-
Total	72.701	5.833	24.135	1.113

3. Information on interest income on marketable securities:

	31 December 2018	
	TP	YP
Financial Assets Measured at Fair Value through Profit/Loss	643	675
Financial Assets Measured at Fair Value through Other Comprehensive Income	29.503	6.601
Financial Assets Measured at Amortized Cost	-	10.724
Toplam	30.146	18.000

	31 December 2017	
	TP	YP
Held-for-Trading Financial Assets	2.528	181
Financial Assets At Fair Value Through Profit or Loss	-	-
Investment Securities Available for Sale	23.089	6.238
Investment Securities Held to Maturity	-	7.302
Toplam	25.617	13.721

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT:

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

	31 December 2018	31 December 2017
Interest Received From Investments in Associates and Subsidiaries	4.321	2.242

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
Banks	1.682	264.502	1.938	140.521
The CBRT	-	-	-	-
Domestic Banks	1.682	2.127	1.938	1.174
Foreign Banks	-	262.375	-	139.347
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	15.952	-	12.449
Total (*)	1.682	280.454	1.938	152.970

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

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

	31 December 2018	31 December 2017
Interest Paid to Investment in Associates and Subsidiaries	10.017	3.670

3. Interest expense on issued marketable securities:

None (31 December 2017: None).

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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

Current Period	Demand Deposit	Time Deposit						Total	Prior Period Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accum. Deposit		
Turkish Currency									
Bank Deposits	-	449	-	-	-	-	-	449	4.312
Savings Deposits	-	79.087	493.141	30.970	16.401	15.228	-	634.827	275.427
Public Deposits	-	-	250	-	-	-	-	250	13
Commercial Deposits	-	17.583	56.185	1.954	3.816	11.939	-	91.477	78.276
Other Deposits	-	358	17.470	218	1.081	494	-	19.621	17.708
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Total	-	97.477	567.046	33.142	21.298	27.661	-	746.624	375.736
Foreign Currency									
Foreign Currency Account	-	15.400	203.117	23.040	7.833	4.103	-	253.493	189.998
Bank Deposits	-	8.148	-	-	-	-	-	8.148	2.019
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	-	23.548	203.117	23.040	7.833	4.103	-	261.641	192.017
Sum Total	-	121.025	770.163	56.182	29.131	31.764	-	1.008.265	567.753

c. Information on dividend income:

	31 December 2018
Financial Assets Measured at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	700
Other	-
Total	700

	31 December 2017
Trading Financial Assets	-
Financial Assets at Fair Value through Profit or Loss	-
Available-for-Sale Financial Assets	328
Other	-
Total	328

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

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

	31 December 2018	31 December 2017
Income	34.460.796	16.522.264
Capital Market Transactions	6.377	8.615
Derivative Financial Transactions	161.728	59.418
Foreign Exchange Gains	34.292.691	16.454.231
Loss (-)	34.394.418	16.504.816
Capital Market Transactions	4.049	4.536
Derivative Financial Transactions	160.596	41.031
Foreign Exchange Losses	34.229.773	16.459.249
Net Income/Loss	66.378	17.448

e. Information on other operating income:

As of 31 December 2018, the Bank’s other operating income is TL 16.491 (31 December 2017: TL 14.607). TL 2.951 (31 December 2017: TL 5.362) amount of the other operating income is composed of the profit from sales of the fixed assets that were classified as Asset Held for Resale.

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

	31 December 2018
Expected Credit Loss	239.076
12 Month Expected Credit Loss (Stage 1)	31.096
Significant Increase in Credit Risk (Stage 2)	(49.914)
Non-performing Loans (Stage 3)	257.894
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	239.076

	31 December 2017
Specific Provisions for Loans and Other Receivables	60.589
III. Group Loans and Receivables	5.263
IV. Group Loans and Receivables	(1.726)
V. Group Loans and Receivables	57.052
General Provision Expenses	9.195
Provision Expense for Possible Risks	12.716
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-sale Financial Assets	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held-to-maturity Investments	-
Other	-
Total	82.500

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

g. Information related to other operating expenses:

	31 December 2018
Personnel Expenses (**)	165.196
Reserve For Employee Termination Benefits (*)	4.217
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Amortization Expenses of Fixed Assets	9.768
Impairment Expenses of Intangible Assets	-
Amortization Expenses of Intangible Assets	11.262
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	869
Amortization Expenses of Assets Held for Resale	-
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	121.312
Operational Lease Expenses	31.374
Maintenance Expenses	1.856
Advertising Expenses	3.137
Other Expense	84.945
Loss on Sales of Assets	22
Other	32.218
Total	344.864

(*) As of 31 December 2018, “the employee vacation fee provision expense” is TL 574 (31 December 2017: TL 680).

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

	31 December 2017
Personnel Expenses	146.397
Reserve For Employee Termination Benefits	4.312
Bank Social Aid Pension Fund Deficit Provision	-
Impairment Expenses of Fixed Assets	-
Depreciation Expenses of Fixed Assets	9.118
Impairment Expenses of Intangible Assets	-
Amortization Expenses of Intangible Assets	9.392
Impairment Expenses of Equity Participations for which Equity Method is Applied	-
Impairment Expenses of Assets Held For Resale	397
Depreciation Expenses of Assets Held for Resale	46
Impairment Expenses of Fixed Assets Held for Sale	-
Other Operating Expenses	103.846
Operational Lease Expenses	29.820
Maintenance Expenses	991
Advertising Expenses	1.163
Other Expenses	71.872
Loss on Sales of Assets	512
Other	27.279
Total	301.299

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

h. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Bank has no discontinued operations. The Bank’s net in profit before taxes from continuing operations is TL 199.193 (31 December 2017: TL 139.669).

i. Information on provision for taxes from discontinued or continuing operations:

The Bank has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

As of 31 December 2018, the Bank has no current tax income/expense and deferred tax expense amounting to TL 37.434.

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

The Bank has TL 39.662 deferred tax income from temporary differences and TL 52.518 tax income from carried financial loss. The bank also has deferred tax expense from closed temporary differences amounting to TL 129.614, deferred tax expense and income net-off to TL 37.434 deferred tax expense.

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

As of 31 December 2018, the Bank has TL 89.952 (31 December 2017: TL 15.390) deferred tax expense arising from temporary differences and deferred tax income from carried financial loss belonging to the prior period amounting to TL 52.518 (31 December 2017: None).

j. Information on continuing and discontinued operations’ current period net profit/(loss):

The Bank has no discontinued operations and the below article (k) represents the current period net profit/loss from continuing operations.

k. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items’ composition is necessary to understand the annual performance of the 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

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

1. Information on other income and expenses:

1. Interest income amounts to TL 2.367.511 (31 December 2017: TL 1.445.845) and TL 467.674 (31 December 2017: TL 225.216) of this amount is classified as "Other Interest Income" in the income statement of Bank in the current period.

	31 December 2018	31 December 2017
Other Interest Income		
Interest Income Related to Derivative Transactions	454.490	220.962
Other	13.184	4.254
Total	467.674	225.216

2. Interest expense amounts to TL 1.729.772 (31 December 2017: TL 1.002.944), TL 431.004 (31 December 2017: TL 267.623) of this amount is classified as "Other Interest Expense" in the income statement of Bank in the current period.

	31 December 2018	31 December 2017
Other Interest Expense		
Interest Expense Related to Derivative Transactions	415.463	265.911
Other	15.541	1.712
Total	431.004	267.623

3. In the current period, the Bank’s fee and commission income amounts to TL 42.958 (31 December 2017: TL 39.499) and TL 19.484 (31 December 2017: TL 21.049) the related amount is classified under “Other” account.

	31 December 2018	31 December 2017
Other Fee and Commissions Received		
Insurance Commissions	7.898	6.572
Account Operating Fees	2.066	1.838
Commissions from Correspondent Banks	666	497
Transfer Commissions	619	817
Commissions on Investment Fund Services	558	204
Credit Card and POS Transaction Commission	182	535
Common Point Commissions	84	106
Letter of Credit Commissions	10	9
Other	7.401	10.471
Total	19.484	21.049

4. In the current period, Bank’s fee and commission expense amounts to TL 14.801 (31 December 2017: TL 8.483) and TL 14.743 (31 December 2017: TL 8.443) of the related amount is classified under “Other” account.

	31 December 2018	31 December 2017
Other Fee and Commissions Given		
Credit Card Transaction Commission	2.007	2.384
Commissions Granted to Correspondent Banks	1.411	1.144
EFT Commissions	692	735
Common Point Commissions	393	413
Transfer Commissions	153	96
Other	10.087	3.671
Total	14.743	8.443

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS’ EQUITY

a. Information on change in the shareholder structure of the Bank:

There is no change in Bank’s partnership structure in 2018.

b. Information on distribution of profit:

According to the decision of the Bank held at the Ordinary General Assembly Meeting held on 30 March 2018; While adapting TAS 27 Standard, the profit of 2017, TL 109.848 was not distributed. It is classified as legal and extraordinary reserves.

c. Information on capital increase:

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.

The upper limit of registered capital of 2 billion TL has increased to 4 billion TL with the decision of Board of Directors on 3 October 2018.

d. Information on valuation differences of marketable securities:

“Unrealized gains and losses” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the “Marketable securities valuation reserve” account under equity, until the financial assets are sold, disposed or impaired.

	31 December 2018		31 December 2017	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(8.303)	(8.999)	(2.366)	(143)
Foreign Currency Difference	-	-	-	-
Total	(8.303)	(8.999)	(2.366)	(143)

e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.535 net of tax (31 December 2017: TL 1.948) is accounted under “Revaluation differences of tangible assets and intangible assets”.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalent assets:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as “Cash”; interbank money market and time deposits in banks with original maturities of less than three months are defined as “Cash Equivalents”.

i. Cash and cash equivalents at the beginning of period:

	31 December 2018	31 December 2017
Cash	1.167.902	412.911
Cash, Foreign Currency and Other	52.065	26.846
Demand Deposits in Banks	1.115.837	386.065
Cash Equivalents	68.251	221.505
Interbank Money Market	-	-
Time Deposits in Bank	68.251	221.505
Total Cash and Cash Equivalents	1.236.153	634.416

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

ii. Cash and cash equivalents at the end of the period:

	31 December 2018	31 December 2017
Cash	1.977.380	1.167.902
Cash, Foreign Currency and Other	84.257	52.065
Demand Deposits in Banks	1.893.123	1.115.837
Cash Equivalents	444.331	68.251
Interbank Money Market	-	-
Time Deposits in Bank	444.331	68.251
Total Cash and Cash Equivalents	2.421.711	1.236.153

b. Information on other items presented in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

“Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to negative TL 1.374.799 (31 December 2017: negative TL 166.129) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

“Net increase/decrease in liabilities” items presented in “Changes in operating assets and liabilities” amount to positive TL 271.383 (31 December 2017: negative TL 120.776) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive 166.117 (31 December 2017: negative TL 18.947).

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP:

a. The volume of transactions relating to the Bank’s risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Prior period financial information is presented as at 31 December 2017 for balance sheet items and income statements items.

31 December 2018	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
Banks’ Risk Group						
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	22.858	10.792	-	149.865	166	87
Interest and Commission Income Received	4.321	105	-	-	23	-

31 December 2017	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
Banks’ Risk Group						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	21.693	12.963	-	-	27	15.429
Interest and Commission Income Received	2.242	79	-	-	12	-

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	145.154	55.644	11.951	6.357	12.172	24.791
Interest Expense on Deposits	10.017	3.670	8.973	-	1.713	1.581

Banks’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Repurchase Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Bank’s risk group:

Banks’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for trading purposes						
Beginning of the Period (*)	806.971	307.337	-	-	-	-
Balance at the end of the period (*)	1.437.332	806.971	-	-	-	-
Total Profit/Loss	(57.658)	17.950	-	-	-	-
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	3.907.357	66,08
Banks and Other Institutions	169.277	1,68
Deposit	160.744	6,93
Non-cash loans	137.713	70,81
Loans	23.024	0,16

As of 31 December 2018, the Bank has realized interest income from deposits given to banks included in the risk group amounting to TL 2.987 (31 December 2017: 17), the Bank has realized interest expense amounting to TL 172.440 (31 December 2017: TL 99.671) on loans borrowed from the direct shareholders of the Bank

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP (Continued):

3. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

According to the Joint Expense Sharing Agreement with the Bank and its subsidiaries; the Bank has TL 417 (31 December 2017: TL 356) from Burgan Finansal Kiralama A.Ş., TL 701 (31 December 2017: TL 680) from Burgan Yatırım Menkul Değerler A.Ş as other operating income and the Bank has TL 190 (31 December 2017: TL 158) 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 1,12% (31 December 2017: 0,33%) of the Bank’s total cash and non-cash loans.

As of 31 December 2018 there are no purchase-sales transactions on any assets including real estate with the risk group consisting the Bank.

As of 31 December 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 20.310 (31 December 2017: TL 17.411) which include total gross salary, travel, meal, health, life insurance and other expenses.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

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

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

- a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number	Country of Incorporation	Total Asset	Statutory share capital
Domestic Branch	41	1.006			
Foreign Representative	-	-	-		
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

- b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office of the Parent Bank.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

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

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO BANK’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The unconsolidated financial statements as of 31 December 2018 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor’s independent audit report dated 28 February 2019 has been presented prior to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.