2016
ANNUAL REPORT

BURGAN
BANK

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Corporate Profile

Focused on sustainable customer satisfaction, profitability and growth

Burgan Bank offers services in 17 cities where economic and commercial activity is most concentrated in Turkey, with 49 branches.

As the "Solution partner for its customers", Burgan Bank operates in all banking segments. With an extensive customer base in the corporate, commercial and retail banking segments, Burgan Bank is also in synergic cooperation with its subsidiaries operating in the financial leasing (Burgan Leasing) and investment banking services (Burgan Securities) business lines.

Moving forward with the strength derived from its dedication to banking ethics, particularly integrity, transparency, accountability and trust, Burgan Bank is focused on establishing long-term relations with its stakeholders within the context of its approach that prioritizes quality and customer orientation.

Strong positioning in the Middle East and North Africa

Burgan Bank K.P.S.C. (Kuwait), Burgan Bank's major shareholder, is the youngest private capital retail bank in Kuwait and is also the country's second largest bank in terms of asset size. Burgan Bank K.P.S.C. commands a strong position in the Middle East and North Africa (MENA) region which has strong ambition in the global economy. Burgan Bank takes advantage of its major shareholder's extensive regional service network to generate sustainable added value for its customers and to offer correct and fast solutions for Turkish companies in their commercial relations with the countries in the region.

Burgan Bank's strategy is based on the establishment and sustainable development of long-term relations with its customers.

As of 31 December 2016, Burgan Bank had TL 13,720,350 in assets, TL 10,685,527 in loans and TL 8,309,833 in deposits. The Bank's standalone and consolidated capital adequacy ratios stood at 17.66% and 15.85% respectively at the end of the year.

31% increase

Burgan Bank's loan volumes expanded by 31% with total loans of TL 10.7 billion at the end of 2016.

TL 900 million

There has been no change in the Bank's capital in 2016, with the Bank's registered share capital ceiling standing at TL 1 billion and paid-in capital of TL 900 million.

24%

Burgan Bank's deposit volume increased by 24% YoY in 2016 with total deposits reaching TL 8.3 billion at the end of 2016.

37% increase

Burgan Bank increased its profit by 37% YoY in 2016, achieving a net profit of TL 71.7 million.

About the Burgan Bank Group

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

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

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

For further information on Burgan Bank Group, please visit our website or use the phone camera to read the QR code.

Our Vision, Mission, Goals and Values

Vision
To be the best service provider in Turkey in its class by always having the best practices in the financial services sector, innovation and services that add value to its stakeholders.

Mission
Burgan Bank is your financial business partner, helping to expand your business and personal presence by offering specialized financial and investment solutions within relationships built on trust and honesty.

Goals
Burgan Bank, which builds its activities on the basis of customer satisfaction, operational and technological competence and development of human resources, aims to reach the highest level of value for all stakeholders (customers, employees and shareholders). It is essential that the value we create for our stakeholders is consistent, growth-oriented and generated within the framework of corporate governance.

Values

Being Us
- We support each other as the Burgan family.
- We work in harmony.
- We listen to each other's views and respect different ideas.
- We are open to each other; we act with the principle of fairness.

Dynamism
- We see change as an opportunity; we can adapt quickly to changing conditions.
- We make decisions that can be implemented swiftly; we propose creative and practical solutions.
- We make a difference in our work with alternative views.

To Win
- We act with a focus on goals and set challenging targets.
- We strive for the greater good; we don't give up in the face of obstacles.
- We always appreciate any sincere effort for success.
- We deploy our resources efficiently while achieving our goals.

Milestones from 1989 to 2016

Founded under the name of Tekfen Yatırım Finansman Bankası A.Ş. in 1989, the Bank quickly became one of the sector's leading banks in corporate and investment banking. Providing services from a single branch until 2001, the Bank decided to implement an expansion strategy and deployed its knowledge in the area of commercial banking; in 2001, it acquired Bank Ekspres, a midsize commercial bank.

In 2007, Tekfen Group and Eurobank EFG entered a partnership; following the completion of legal requirements, the Bank was renamed Eurobank Tekfen A.Ş.

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

In 2013 Burgan Bank had largely completed the restructuring of its infrastructure and human resources in accordance with its new shareholder's banking strategy, illustrating that it was prepared to achieve efficient and effective growth in its loan volume at a rate which was in excess of the sector average.

In 2014 Burgan Bank's loan and deposit volume grew at a rate in excess of the sector average. The Bank achieved a sustainable profit and steady growth.

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

In 2016 Burgan Bank has revealed its healthy financial structure and growth potential by achieving a rate of growth which exceeded the sector average.

Summary Financial Information

(000 TL)	31 December 2016 (*)	31 December 2015 (*)	%
Total Assets	13,721,616	10,674,834	28.5
Loans and Factoring Receivables (Net)	10,685,527	8,187,754	30.5
Marketable Securities	684,002	654,879	4.4
Deposits	8,309,833	6,695,608	24.1
Funds Borrowed and Money Market Borrowings	3,661,707	2,561,507	43.0
Shareholders' Equity	1,092,558	1,012,502	7.9
Non-cash Loans	1,982,236	1,544,155	28.4
Capital Adequacy Ratio	17.66	15.97	10.6

	(1 January 2016 31 December 2016)	(1 January 2015 31 December 2015)	%
Net Profit/(Loss) for the Period	71,673	52,169	37.4

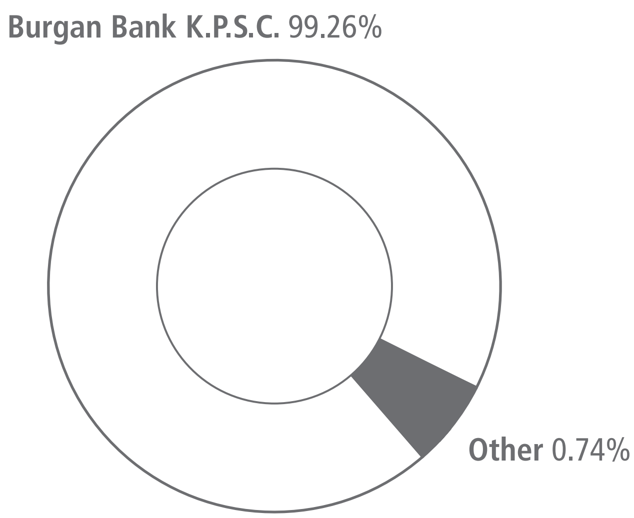
(*) TL thousand based on unconsolidated financial statements.

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

There were no changes to the Bank's capital during 2016. The Bank's paid-in capital stands at TL 900 million and the Bank has a capital ceiling of TL 1 billion.

The Bank's shareholding structure as of 31 December 2016 is presented below and there were no changes to the Bank's shareholder structure during the year.

Trade Name	Share amount TL thousand	Share
Burgan Bank K.P.S.C.	893,324	99.26%
Other	6,676	0.74%
Total	900,000	100.00%



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

Tekfen Yatırım ve Finansman Bankası A.Ş. was established as an "investment bank" with the permission of the Council of Ministers No. 88/13253 on 26 August 1988 and was authorized to 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, amounting 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 realized 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. (57.30% holding) and TST International S.A. (40.62% holding).

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

During the Extraordinary Board of Directors meeting on 25 December 2007, the decision was taken to change the title of the Bank from Tekfenbank A.Ş to Eurobank Tekfen A.Ş. (the Bank) and it was registered to the Turkish Trade Registry on 11 January 2008.

Under the agreement regarding the sale of Eurobank Ergasias S.A.'s Turkey operations to Burgan Bank K.P.S.C. (formerly Burgan Bank S.A.K.), 70% of the bank shares belonging to Eurobank EFH Holding (Luxemburg) S.A. and 29.26% of the shares belonging to Tekfen Holding A.Ş. were purchased 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 were turned over to Burgan Bank K.P.S.C. on 21 December 2012.

During the Extraordinary Board of Directors meeting on 23 January 2013, the decision was taken to change the title of the Bank from Eurobank Tekfen A.Ş. to Burgan Bank A.Ş. (the Bank) and this was registered to the Turkish Trade Registry on 25 January 2013.

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

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

WE ARE FOCUSED ON SUSTAINABILITY

Burgan Bank contributes to the real sector and the Turkish economy through its lending activities.

Chairman’s Assessment of the Fiscal Year and Future Outlook

Dear stakeholders,

In 2016, a year when the recovery in developed economies continued and emerging economies came under pressure from foreign capital outflows, the Turkish economy managed to remain on a track of moderate growth, despite all the headwinds. Our country’s economy is estimated to have grown by around 3% in 2016.

Fed raises interest rates in December, in line with expectations.

The Fed raised its policy interest rate by 25 basis points, taking the long awaited step in its meeting on 14 December 2016. While a rate hike had already priced in by the global markets, the Fed’s surprise came in the form of its projections for 2017. In its median forecast, the Fed revised its 2017 year-end interest rate projection upwards by 25 basis points to 1.375%, indicating that interest rates could rise three times instead of two during the year. This revision of its 2017 projection affected the money and capital markets and as a result of the short-lived volatility, the US dollar appreciated against all major currencies, precipitating a record decline in the stock market.

In our view, the Fed will maintain its attentive and careful policy in 2017; it will oversee the delicate balance of the world economy in tightening monetary conditions. It is thought that the Fed’s next moves will depend on data releases from the US economy, especially employment and inflation, with the Fed likely to avoid any decisions that could lead to more difficult monetary conditions. However, another important parameter to be considered in this vein will be the monetary policy preferences of the new US administration from January 2017 and its relationship with the Fed.

Data released from 2016 indicates that both the US and Eurozone economies have entered a period of recovery.

Continued recovery in developed economies.

Data releases throughout 2016 indicate that economic performance is in a period of recovery in both the US and the Euro Area.

Despite the potential fallout from the problems affecting the Italian banking system and Greece's ongoing financial crisis, the Eurozone economy achieved a higher growth rate than the US economy for the first time since 2008, when the global crisis began. By the end of 2016, the US and the Eurozone economies had grown by 1.6% and 1.7% respectively.

Despite the United Kingdom's decision to leave the EU in the Brexit referendum as well as the terrorist attacks in France, Germany and Belgium, the Eurozone managed to post a higher than expected rate of growth, while the consumer confidence index and unemployment rates reached their best levels seen in the recent period.

While Spain (%3.2) and Ireland (%4) contributed strongly to Eurozone growth which continued for the last 14 quarters, growth also improved in Germany, which is regarded as the region's most important economic power, with 1.9%. This robust growth performance is attributed to the stronger role of the household consumption and the rising debt levels of companies, which are strengthened by the European Central Bank's (ECB) ultra-loose monetary policy.

At the regular meeting held on 8 December 2016, the ECB kept its interest rates on hold and extended the asset purchase program, the main instrument of its loose monetary policy, until the end of 2017. Despite the extension of the program, the ECB has reduced the asset purchase amount from € 80 billion per month to € 60 billion, effective from April 2017. Meanwhile, ECB President Mario Draghi stated that inflation conditions would continue to be closely monitored and that the upper limit of the buying program may be raised again if the outlook for the economy deteriorated or financial conditions became incompatible with the improvement in inflation.

Surprise result in US presidential election leads to fluctuations in the world economy.

The Republican Party candidate, Donald Trump, won the US presidential election on 8 November 2016, after a fiercely contested election.

Economy and business circles, which had been almost certain that the next occupant of the White House would be the Democratic Party candidate, Hillary Clinton, focused on predicting the economic policies and possible changes that a Trump Presidency would bring from January 2017. During the campaign, Trump had promised measures to stimulate growth through public spending. The new President, who has pledged to make tax adjustments, aims to raise government receipts and increase welfare. On the other hand, as far as foreign trade is concerned, Trump has spoken of new import duties as part of his relatively protectionist approach, which could spark a wider trend which could have a far reaching impact on international trade.

IMF revises its 2017 and 2018 growth forecasts for developed countries upward in light of recent developments.

The IMF maintained its growth forecasts for the global economy in its update of the Global Economic Outlook Report published on 16 January 2017. The IMF raised its growth forecasts for developed countries upwards by 0.1 of a percentage point for 2017 and by 0.2 of a percentage point for 2018. The expectation that the Trump administration would follow growth-oriented policies and increase public spending in the US, while the performance of the Eurozone would exceed forecasts in 2016, played a role in the positive revisions.

The IMF also emphasized that the 2017 growth performance of developing countries may fall short of the previously announced estimates, considering that the flow of foreign capital to emerging markets in 2016 is slowing and most developing country currencies have depreciated.

In the final analysis, in the near and medium term future perspective of the global economy, it can be concluded that the expansionary monetary policies implemented could offer a window of opportunity for countries to focus on fiscal policies, with many countries set to stimulate growth by increasing public spending in the next few years. A controlled increase in public spending is not expected to place undue pressure on budgets in the medium term and could indeed offer a significant helping hand to countries trying to escape the low growth trap.

Chairman's Assessment of the Fiscal Year and Future Outlook

Turkey's economy suffers a slowdown in 2016.

The extraordinary and sudden political developments in 2016 and the conflicts in the Middle East put pressure on Turkey's economy and economic activity slowed down, especially in the third quarter of the year.

As a natural result of these developments, the Turkish economy shrank by 1.8% in the third quarter of 2016, the first time it had contracted for 9 years. The rate of economic growth, which stood at 2.3% in the first quarter of 2016 and 3.1% in the second quarter, was revised to 4.5% for the first two quarters as a result of a revision in the calculation methodology within the scope of TURKSTAT's National Accounts System (SNA-2008) and European Accounting System (ESA-2010) adaptation project. The growth rate for the first nine months was calculated to be 2.2%.

What is pleasing in this process is the proactive approach and swift action of those institutions managing the economy to take measures to address the slowdown. This approach has proven vital in minimizing the probable lagged effects of the recession in 3 quarters of economic activity; the markets swiftly responded to these calming measures. The banking sector, which has strong foundations, has also played its part in this process and support to households and businesses by adopting looser policies, principally by offering lower interest rates.

Thanks to the measures taken to encourage consumer spending, private consumption began to rebound in the fourth quarter of 2016, when the economy is thought to have switched to positive growth again with the support of increased public spending.

Our sector is undergoing a shift in its approach to doing business. The past year has been a period of successful activity for the banking sector, despite all the adversities. Profitability ratios were high, the return on equity was satisfactory and operating expenses were successfully kept under control. In this process, another issue we have observed in our industry has been the sea change in the way business is done. As less banking is done in the branches, there has been a trend to lower personnel numbers. In contrast, the digital banking approach and the use of web-based mobile service platforms to provide an unlimited service to customers has become incorporated the whole life of the Bank, whatever the scale. Banking business patterns and operational models are set to undergo a far-ranging transformation in the middle and long term. In a world where income or interest margins may increase to a certain extent, participants will have to focus their work patterns on efficiency and productivity.

2017 will be the year to focus on solving some of the issues that our industry inherited from 2016. The point here is a reflection of the macroeconomics woes that have occurred, especially since the mid-summer. The measures taken in 2016 have gone some way to addressing some of the issues that could have a potential cost for the tourism sector and banking sector, deferring some of the risks that banks may face.

Before wrapping up my comments on our industry, I would like to touch on a topic that I believe to be important. Reputation management and accurate communication are other issues that we need to observe carefully in banking sector public relations. We must not forget that our work is based on trust. For this reason, any sectoral approach should protect the reputation of banking. Such an approach will be extremely important and valuable in maintaining macroeconomic targets and the desired level of macroeconomic growth in the future. A large number of parameters, ranging from profitability to interest rates, should be evaluated in a rational way and the process should be accurately explained to all stakeholders.

We believe the Turkish banking sector will rapidly resolve its short-term issues and increasingly continue to serve our country's long-term growth targets.

A better performance for Burgan Bank in 2016 thanks to a strong financial structure and deepening customer relationships.

Our Bank rounded off 2016 with a successful set of results. I am delighted to note that Burgan Bank grew in 2016, which was achieved by solidifying its financial strength against a backdrop of difficult global and national conditions, while maintaining its asset quality and demonstrating a performance exceeding the sector and group averages in a large number of indicators.

This success chart, which emerged as the result of our recent change in strategy, has also supported Burgan Bank's ability to continue to take decisive steps from a visionary perspective and the continued efforts to strengthen the value offered to its customers.

As we go through a process that will help our management teams and employees compete in the future as a whole, our shareholder has always unwaveringly maintained its support for our both primary and secondary capital, once again confirming their strong belief in the Turkish economy, our Bank, our strategy and management team.

This success, which emerged as the result of the recent change in our strategy, has also helped Burgan Bank continue to take decisive steps from a visionary perspective and to pursue work towards strengthening the value we offer to our customers.

2.2% increase

The Turkish economy grew by 2.2% in the first nine months of 2016.

ethics

Burgan Bank has always committed itself to the best practices of sound, reliable and transparent banking and has acted in full compliance with ethical values and the law and will continue to so.

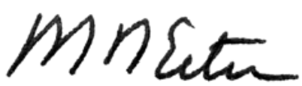
Our aim is to evaluate business opportunities and increase our performance within the scope of our strategy.
Burgan Bank has always acted in full compliance with ethical values and the law and implemented best practices of robust, reliable and transparent banking and will always continue to do so.

We are determined to implement our philosophy, which places customers at the heart of all our activities, in all our innovations, especially our projects that prioritize digital banking.

In spite of global and regional geopolitical risks, we focus on the most accurate assessment of the growth opportunities that we will face in the medium and long term within the scope of our strategy and business model.
We anticipate that the global and national economy will encounter a certain amount of volatility in 2017 as well. We need to accept that some degree of fluctuations and variability is normal and design our business plans around this reality. Skill in management, on the other hand, will ensure that the shareholder value and total added value we produce will be permanent in the new market and sector conditions.

I would like to emphasize that we will not waver in reaching the 2017 targets set in line with our strategy and that we are also ambitious in developing our brand value and stance in the market. I believe we have the material and intellectual capital needed to achieve this.

On behalf of myself and the Board of Directors, I would like to thank all of our stakeholders who contributed to our 2016 performance.



Mehmet N. ERTEN
Chairman of the Board

General Manager's Assessments for the Fiscal Year and Future Outlook

In 2016, Burgan Bank managed to expand its asset volume by 29%, its loan volume by 31% and its deposits base by 24%.

Dear stakeholders,

The change continues in full swing...
Even though it is nearly 10 years since the global financial crisis, volatility in the world economy and the search for a new equilibrium and change still continues.

When we look at the year we have left behind, we find that so many factors, from the Brexit referendum with the UK's exit from the EU and the US presidential elections to the Fed's policies, conflicts in the Middle East and fluctuations in the Chinese economy, affect companies, financial service providers and households all over the world. The world economy, in the same process, also offers new business and growth opportunities in a range of areas, from digitization to mega-trends in international trade, while global markets are evolving towards a new equilibrium which has its own benefits and dangers.

In 2016, our country and our industry were affected mainly by trends in international markets and domestic political developments. However, thanks to the strong fundamentals of the real economy and the banking sector and the proactive and appropriate steps taken by the government, our country was able to overcome these challenges and maintain its moderate economic growth.

Burgan Bank has successfully advanced on its growth path, backed by the trust of its customers and the strong support of its shareholder.
Our 2016 performance, achieved against a backdrop which was often a whirlwind of changing agendas, clearly demonstrates that our strategic change plan, which we have been implementing at Burgan Bank for the last three years, has boosted our activities in a positive direction.

In 2016, Burgan Bank achieved 29% growth in its asset volume, 31% in its credit volume and 24% in its deposits.

New customer acquisitions continued in all business lines during 2016 while our transaction volumes continued to evolve and we achieved significant breakthroughs in out-of-branch service channels. As a result of our activities, Burgan Bank's total assets reached TL 13.7 billion on an unconsolidated basis and TL 15.1 billion on a consolidated basis.

Continued healthy development in our credit portfolio

Our credit portfolio, which is sound when considered from all parameters, has continued to develop steadily with the support of our proactive customer acquisition activities, mainly in corporate and commercial banking. I am delighted to report that despite all the fluctuations in the markets, Burgan Bank recorded more than twice the sector rate of loan growth in 2016.

By the end of 2016, the volume of our cash loans had reached TL 10.7 billion with a 31% increase in solo basis, while on a consolidated basis loan volumes increased by 31% to TL 12 billion. The share of stand-alone cash loans in the balance sheet stands at 78% and 80% on a consolidated basis.

Another issue that we focused on in lending during 2016 was the medium and long-term placement work that enabled our customers to establish deep and long-term business relationships. In line with its goal of becoming one of the main banks for its customers, Burgan Bank has aimed to increase the share of medium and long term loans in its total portfolio and achieved notable success in this respect. The volume of Burgan Bank's medium and long-term cash loans grew by 42% in 2016.

Another issue I would like to mention regarding the credit portfolio is the care we demonstrate in credit risk management and strong collateral structure. Based on the unconsolidated financial statements, non-performing loans had a 2.1% share of total cash loans at the end of 2016, a level below the general average of the Turkish banking sector and the average of our comparison group.

While careful risk management and collateralization form the main focus of Burgan Bank's lending activities, a 52% provision was set aside for our receivables at the end of the year. Also taking account of general provisions and free reserves set aside, the consolidated provisions for non-performing loans reached 106%.

Burgan Bank's deposit volume grew by 24.1% YoY in 2016. While total deposits stood at TL 8.3 billion at the end of the year, the most significant improvement was in retail deposits during 2016. Our retail customers' deposits reached a 61% share in Burgan Bank's total deposits, while a spate of new customer acquisitions, three currency deposits and similar attractive product innovations as well as the adoption of non-branch sales channels also supported the development of our Bank in retail banking in 2016.

TL 13.7 billion

Our total assets reached TL 13.7 billion in unconsolidated terms and TL 15.1 billion on a consolidated basis.

TL 10.7 billion

Our stand-alone cash loans increased by 31% to reach TL 10.7 billion.

TL 8.3 billion

Burgan Bank's deposit volume grew by 24%. While total deposits amounted to TL 8.3 billion, the greatest development in 2016 was in retail deposits.

106%

Taking into account general provisions and free provisions set aside, the consolidated provisions for the non-performing loans ratio have reached 106%.

General Manager's Assessments for the Fiscal Year and Future Outlook

A 37% increase in net profit
In 2016, a year in which our operating profitability continued to increase, our net profit increased by 37% to TL 71.6 million. Our Bank's operating income increased by 11% and our net operating profit surged by 59% in 2016 to reach TL 86.3 million. Our net profit for the period, excluding subsidiaries, increased by 60%.

Burgan Bank carefully managed its cost base during 2016 and maintained the improvement in its cost / income ratio. Its net interest income increased by 17% while other interest income was supported by cross-selling activities.

Our shareholders' equity stood at TL 1.1 billion at the end of 2016, with our Bank's capital adequacy ratio rising from 15.97% in 2015 to 17.66% in 2016.

In summary, our financial results for 2016 reveal that Burgan Bank continues to pursue the profitable growth momentum that it has achieved on the back of its strategic plan and maintains a healthy financial structure.

Further investment in digital banking and non-branch channels
We perceive digital banking as one of the most important areas of expansion for the future and one of defining trends in the sector. We undertake investments in this area with the aim of offering our customers banking services in the simplest format possible, in any environment they wish.

The Burgan Bank Digital Banking Branch, which we intend to establish, will be the driving force of our retail banking activities in 2017 as we will provide innovative products and other non-branch sales channels through the digital channels.

Digital banking is regarded as an important tool on the road to scale and profitability that Burgan Bank seeks to achieve and our Bank will continue to step up its investments in this area.

We have an investment-grade credit rating.
Burgan Bank was rated by FITCH Ratings for the first time in 2016, with a BBB rating, representing investment grade. Burgan Bank's strong financial structure, astute business model and uninterrupted shareholder support all played a role in obtaining the highest credit rating that could be given to a bank in Turkey.

Our Bank continued to improve its international relationships in 2016, successfully renewing syndicated loans, diversifying bilateral financing transactions with its correspondents and providing a six-year US$ 60 million long-term fund from the IFC to meet the financing needs of small and medium-sized businesses.

We see digital banking as one of the most important areas of expansion in the future and one of the defining trends of the future. We carry out our investments in this area with the aim of offering banking to our customers in the simplest format possible, in any environment they wish.

37% increase

As our operating profitability continued to increase in 2016, Burgan Bank's net profit increased by 37% YoY to TL 71.6 million.

40% increase

Our operational net profit increased by 40% to reach TL 91.3 million in 2016.

The total funding we provided from international markets increased by 8% YoY to US$ 404 million. We are determined to take advantage of international funding opportunities from a cost-oriented perspective during 2017 and to increase our share in Turkey's foreign trade volume.

We view our human resources as our most precious asset.
Our employees, who are committed to the Burgan Bank corporate culture, are our Bank's most valuable asset and the assurance of its future. Perceiving change in human resources as a never-ending journey, Burgan Bank supports the professional and personal development of its employees.

In our Bank, there has been a fundamental change of understanding since 2013, when we joined the Burgan Bank Group, with the cultural change reflected to our organization from top to bottom. This development, which has fostered efficiency and productivity, positions Burgan Bank as one of the most popular employers in the industry and contributes significantly to customer satisfaction.

Burgan Bank is focused on keeping the numerical composition of its human resources at a level that is rational and will meet the current needs of its structuring, while developing the professional qualities of its employees through continuous training.

We continue to provide Management Trainee and Sales Management Trainee programs to enhance the shared values and our corporate culture and to train the Bank's management team of the future. These programs allow us to recruit new talented graduates from the universities. As of the end of 2016, the ratio of those who had successfully completed the Burgan Bank Management Trainee programs and served in our Bank as a proportion of our overall human resources had increased to 12%.

Our main shareholder expresses satisfaction in our performance and belief in the potential of the Turkish market.
Our main shareholder, Burgan Bank Group, strongly believes in the growth potential of the Turkish market and supports our Bank in every way.

The synergic cooperation we have developed with our shareholder, which has a strong service structure in the Middle East and North Africa (MENA) region, will continue to strengthen in the coming period and will offer Burgan Bank a significant growth base. In this context, starting from 2017, we will focus on developing areas of synergic cooperation with our Group's other investments in Turkey, creating new business volumes.

Looking to the future...
As one of the most advanced economies in our region, Turkey sets itself apart with its deep-rooted and diversified industrial base by sector, emerging as an internationally renowned frontier and promising a solid future. With the great logistical advantage of its geographical location, Turkey is able to compete in a wide market extending from Asia to Europe and America, exporting its production to hundreds of millions of consumers all over the world. Another of our country's advantages is its young population, competent work force and the know-how it possesses in many business fields. Our demographic characteristics provide strong growth opportunities, exhibit commercial potential and strongly support the overall development process. This clearly demonstrates that we are positioned at the heart of this great potential.

Burgan Bank aims to grow with new moves in 2017 and beyond, to reflect the opportunities offered by the Turkish economy to its performance with the right strategies and to grow at a rate in excess of the sector average.

I believe our team, which has distinguished itself with its success, will ensure our Bank easily reaches its growth targets under the guidance of our Board of Directors.

On behalf of myself and my team, I would like to take this opportunity to express my sincere thanks to all of our stakeholders, especially our customers and employees.

Ali Murat Dinç
General Manager

WE ARE FOCUSED ON OUR CUSTOMER

Burgan Bank contributes to the future of its customers as much as it contributes to their daily lives with its products and services.

An Assessment of 2016

In 2016 Burgan Bank maintained its progress on its road map, which is focused on sustainable growth and profitability. In this context, the Bank increased its transaction volumes in the segments it operates more efficiently, increasing its share in the financial transactions of its individual customers and expanding the number of companies.

79.8%

As of the end of 2016, the share of cash loans in the balance sheet in the consolidated financial statements had reached 79.8%.

24.1% increase

The Bank's stand-alone deposits increased by 24.1% to TL 8,309,833 thousand and its consolidated deposits by 24.8% to TL 8,248,669 thousand by the end of 2016.

2.1%

The ratio of the non-performing loans to total cash loans ended the year 2016 at 2.1%, which is below the sector average.

17.66% CAR

Burgan Bank realized a stand-alone CAR of 17.66% and a consolidated capital adequacy ratio of 15.85% at the end of the year.

Highlights…

- Burgan Bank's stand-alone asset volume grew by 28.5% YoY to TL 13,721,616 thousand by the end of 2016 while the consolidated figure increased by 30.4% to TL 15,094,145 thousand.
- The Bank's net stand-alone cash loans grew by 30.5% YoY to TL 10,685,527 thousand while the consolidated figure increased by 31% YoY to TL 12,041,346 thousand.
- The Bank achieved a rate of growth which exceeded the sector average rate for loans. As of the end of 2016, the share of cash loans in the balance sheet increased to 79.8% on a consolidated basis.
- Burgan Bank managed its credit risk with a careful and attentive approach. While loans continued to grow in 2016, the Bank also continued to protect its strong collateral structure. According to the unconsolidated financial statements, the share of non-performing loans in total cash loans stood at 2.1% at the end of 2016, which was below both the sector and comparison group averages.
- The share of the securities portfolio in total assets remained low at TL 684,002 thousand on a stand-alone basis and TL 721,092 thousand in the consolidated financial statements.
- Burgan Bank continued to improve its deposit volume. Deposit volume increased by 24.1% to TL 8,309,833 thousand on a stand-alone basis and by 24.8% to TL 8,248,669 thousand on a consolidated basis. The share of deposits in the balance sheet was 60.6% on a stand-alone basis and 54.6% on a consolidated basis. The growth in deposits was also in excess of the sector average.
- The Bank's equity base remained strong in 2016, supporting the growth. The Bank has received subordinated loans amounting to US$ 150 million in 2016 The capital adequacy ratio stood at 17.66% on a stand-alone basis and 15.85% on a consolidated basis.
- Operating income increased by 9% on a consolidated and 11.3% at a bank-only level in 2016 thanks to a recovery in net interest income and a healthy increase in non-interest income as well as continuing growth.
- In 2016, operating expenses were kept under control despite the adverse effects of inflation and devaluation, supporting Burgan Bank's sustainable profitability and growth.
- Burgan Bank has a net profit of TL 71,673 thousand as of the end of 2016.
- Burgan Bank completed the year 2016 with a total of 994 employees and 49 branches.

In 2016, Burgan Bank has taken care to preserve the diversified structure of its loan portfolio.

Burgan Bank is more focused than ever to manage its asset quality in 2016 in the face of volatility and negativities presented by global and national markets. Having a proactive risk management approach, the Bank maintained the diversified structure of its loan portfolio throughout the year. The greatest concentration in Burgan Bank's loan portfolio was in the construction sector, which accounted for 32% of its loans in 2016. This was followed by the manufacturing sector and the wholesale and retail trade sector 18% and 14%, respectively.

When the Bank's construction sector risks are examined in detail, it is seen that public contract works have a share of 47% and projects related to housing financing have 25% share in the construction portfolio.

In 2016, the ratio of the non-performing loans to total cash loans is 2.1%, which is below the sector average.

In 2016, the Commercial Banking segment attracted the highest share of Burgan Bank's total placements, followed by Corporate Banking.

Burgan Bank's target is to maintain its higher-than-sector average loan growth in 2017. The Bank is also focused on sticking to its risk oriented management approach and diversifying its resources structure.

DEVELOPMENTS AND ACHIEVEMENTS BY BUSINESS LINES

CORPORATE BANKING

Cash loans in corporate banking business line reaches TL 3.3 billion.

Burgan Bank continues to offer high value added products, services and solutions to its corporate customers. As of the end of 2016, the Bank's corporate deposit account increased to TL 2 billion and its cash loans grew by 32% to TL 3.3 billion.

Burgan Bank Corporate Banking Group, which continuously improves service quality and product diversity, works with leading companies in almost every sector. Burgan Bank provides its clients with solutions which require in-depth market experience and expertise, such as long-term loans, syndicated loans and project financing.

Burgan Bank's activities in the MENA region continued to expand in 2016 and opportunities for group synergies were prioritized through significant cooperation in Algeria and Kuwait. In addition, in 2016, significant customer acquisitions were realized and cross-product sales and customer relationships deepened.

An Assessment of 2016

COMMERCIAL AND SME BANKING

The process of structuring Commercial Banking and SME Banking Units has been completed successfully.

Burgan Bank's Commercial Banking and SME Banking Units were restructured during 2015. As a result of the merger between the two different business units responsible for the coordination of sales teams and their transfer to the head office, the functioning of the organization was improved and it was formed with a simpler, more effective and more efficient approach. Common follow up of activities for both business lines ensured more effective management of risk profile and more efficient use of all resources including human resources.

Aiming to be the main bank of customers

The target of Burgan Bank's Commercial and SME Banking unit is to be main bank of customers, to grow together with them and to establish long term customer relations that bring about mutual gain by receiving a large share of their financial transactions.

Commercial and SME Banking achieved a rate of growth which exceeded the sector average in 2016.

In parallel with the understanding of establishing long-term relationships with customers, Burgan Bank has focused on becoming one of the customers' main banks in 2016, with the strength and advantage provided by robust capital and broad funding possibilities.

In this direction, the Bank's sales teams, while establishing customer relations with medium and long term loans, have aimed to make efforts to create convenience and advantage in the daily activities of the companies with its cash management products and has established the base of the relationship. On the other hand, the loans offered are designed with an approach that takes into account the clients' projects, sectoral characteristics and/or cash flow cycles.

To this end, Burgan Bank has a broad product portfolio that will meet the needs of its Commercial and SME Banking customers and a broad correspondent network that enables the easy execution of international transactions. In addition, Burgan Banking Group's strong service network and presence especially in the MENA region and its well-established know-how are other factors contributing the target of being the main bank of customers. Burgan Bank's main target is to contribute to customers' competitive power in both domestic and international markets and to establish multi-dimensional customer relations by enabling customers to take advantage of new opportunities in this way.

Medium and long-term lending activities support strong customer relationships.

Medium and long-term loans are one of the main means of ensuring deep and long-term relationships with customers.

Burgan Bank increased the share of medium- and long-term credits within its loans during 2016 in line with its goal of becoming one of its customers' primary banks. The Bank is also pursuing a similar policy in 2017, aiming to increase the share of medium-long term loans in total portfolio. In fluctuating market periods, long-term loan relationships allow customers to avoid daily liquidity problems or needs and concentrate on commercial activities.

In this context, Burgan Bank focuses on providing loans which have the longest maturities possible and are in line with the cash flow forecasts of the companies, to support its clients.

Burgan Bank increased its volume of cash loans extended to commercial and SME portfolios by 30% in 2016. There was approximately 46% growth in medium and long-term cash loans, while the share of this loan group in Burgan Bank's total cash loans reached 66%.

THE CASH MANAGEMENT DEPARTMENT:

Payment and collection methods that are appropriate for customers' needs:

The Cash Management Department at Burgan Bank offers collection and payment services with resolute approaches to customer requests. The Primary target in Burgan Bank's cash management business line is to move the Bank's cross sale products further, to increase the quality of service with innovative products and to provide customer satisfaction. There were significant developments and new products introduced in 2016 that will increase our market share, which were developed through Cash Management Projects, tailor made specifically for our customers. In addition, the developments for existing institutions were completed in the first half of the year, while six new billing corporate agreements were signed during the remaining half of the year.

BANKING INSURANCE PRODUCT AND SALES MANAGEMENT DEPARTMENT:

Burgan Bank has provided comprehensive insurance services to its customers through sectoral partnerships in both the Elementary branch and the Life and Pension branches.

In 2016, our total insurance revenues have increased by 82% with multi-agency networking and Broker-like work. Especially of note is the 70% increase in revenue achieved in the elementary branch by determining all potential customers and their insurance needs and through close follow-up. In addition, in line with the increase in retail loans, life insurance revenues increased by 103% by creating product diversity and portfolio awareness in the life branch. The aim in 2017 is to increase the insurance portfolio and raise the income by touching every customer, even if it is a credit relationship.

FOREIGN TRADE SALES DEPARTMENT:

The Bank targets more efficient market shares and volumes in its customers' foreign trade transactions in parallel with the development and growth of loans and non-loan products.

Burgan Bank stepped up its marketing activities with the aim of being a part of all our customers' foreign trade transactions. Training was provided to meet the needs of our customers and our support services were enriched, deepening our presence in our customers.

60%

In 2016, the share of Retail Banking deposits in total bank deposits reached 60%.

86% increase

In 2016, Burgan Bank's retail loan volume increased by 86% YoY to reach TL 260 million.

RETAIL BANKING

The Bank continued its Retail Banking activities in 2016 with its profitable and rapid growth strategy. In 2016, the Bank stepped up its presence in Retail Banking and improved its business volumes.

Introducing non-branch sales channels

The Retail Banking department has acted with a mission of quickly and effectively meeting all of the financial needs of customers in the Retail Banking and Private Banking segment at the right time and in the right channel in 2016.

Serving customers with its experienced and expert sales staff, Burgan Bank offered its products and services to customers through 36 branches, of which 12 are retail branches, located in Turkey's major cities. The Bank also served through the non-branch sales channels established within the year.

By the end of 2016, the total deposit volume in the Bank's Retail Banking arm had grown by 34% YoY, a rate in excess of the sector average, to reach TL 5 billion.

Vigorous growth in retail banking deposits

The share of Retail Banking deposits in total bank deposits reached 60% in 2016.

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

86% surge in volumes of retail loans in 2016.

Burgan Bank's retail loan volume increased by 86% YoY in 2016 to reach TL 260 million.

This growth was driven by a number of factors, including the introduction of two new non-branch credit sales channels, including direct sales and consumer financing, the wider range of alternatives of the "Değerinizi Bilen Kredi application (Credit that appreciates your value)" which rewarded for loyal customers, the differentiated loan price in line with customers' risk-based pricing objective, the rapid growth in the volume of housing loans and promotions designed specifically to meet the credit needs of public and professional groups.

Investments in system infrastructure and non-branch sales channel investments begin to bear fruit in 2016.

The non-branch sales channels, launched in 2016, provided significant support in winning over new credit customers.

WE ARE FOCUSED ON OUR REGION

With its strong Group structure, Burgan Bank provides rapid and accurate solutions for Turkish companies in North Africa and the Middle East.

An Assessment of 2016

Burgan Bank will also look to non-branch sales channels as the driver of retail loan growth in 2017. The Bank aims to diversify and increase the number of non-branch sales channels in 2017. In the same context, Burgan Bank will continue its investments in the new human resources that these service channels will need.

Burgan Bank's Digital Banking activities and the products to be offered through the digital channels scheduled to be commissioned in early 2017 also will provide impetus to the growth in retail loans.

Renewed corporate internet branch winning acclaim from a growing number of customers.

Burgan Bank renewed the corporate website, one of its most important alternative distribution channels, in 2016. The site has been redesigned with an approach to strengthening user-friendly features while providing mobile access to customer preferences and an easy-to-use design with smart operations.

Burgan Bank customers continue to receive services through telephone, ATM, SMS banking and social media channels, as well as branch offices.

Internet banking utilization rates grew by an average of 7% in all business lines when compared to the previous year. In 2016, the number of applications received through the corporate web site, which was renewed, quadrupled when compared to the previous year. More than 95% of the Bank's total retail loan applications are processed through the digital channels.

Private Banking continued its successful work in 2016.

The Burgan Bank Private Banking segment joined the Retail Banking group as a result of the organizational restructuring in 2016.

Burgan Bank's Private Banking has continued to operate to high quality standards with private banking portfolio managers who have a high level of expertise and experience in the field with deposit products that are appropriate for the risk profiles and the demands of private banking customers and credit products designed specifically for the segment.

The Private Banking segment, which had a portfolio size of TL 1.5 billion at the end of 2015, increased its number of customers by 21% and its portfolio volume by 13% to TL 1.7 billion by the end of 2016.

On the other hand, the "Foreign Sales Desk", which was previously operating under the Private Banking umbrella and with the new structure the "International Business Development Department" continues to provide coordination between our Bank and its subsidiaries in all processes related to presentation, promotion and the sale of our Bank's products and services for foreign customers living in Turkey as well as foreign resident customers.

The over-the-counter derivatives and the transaction volume realized by the Burgan Bank Treasury Sales Department, which provides effective solutions with a proactive approach to the customers, increased in 2016 when compared to the year 2015.

TREASURY AND CAPITAL MARKETS

Surge in foreign capital outflows in 2016 behind the plunge in value of TL-denominated assets

Unexpected economic and political developments both at home and abroad gave rise to massive fluctuations in the market during 2016. Foreign capital outflows, which gathered pace after the Moody's rating agency lowered Turkey's credit rating to below investment grade in September, caused a plunge in value of TL-denominated assets. The Turkish Lira lost value against the US dollar; the US dollar rate (against the TL) started 2016 at a rate of TL 2.92 before peaking at TL 3.60 during the year and then ending the year at TL 3.52. Yields on 2-year Treasury bonds started the year at 10.86%, the declined to as low as 8.25% during the year before ending the year at 10.63%.

The Burgan Bank, Treasury and Capital Markets Group has unflinchingly implemented the strategies set in early 2016 in challenging market conditions and contributed to the Bank's profitable growth.

The Asset & Liability Management Department maintained strong liquidity structure of Burgan Bank by continuing to work on resource diversification and resource expansion in the markets where high fluctuations were experienced. At the same time, effective return and cost management was demonstrated and the risks in the Bank's balance sheet were properly managed.

While the average growth rate of banking sector deposits was 17.66% in 2016, Burgan Bank's customer deposits increased by 23% to TL 8,200 million and non-deposit liabilities increased by 25.50% to reach US$ 905 million.

A differentiated service with a customer-oriented approach, wide product diversity and high service quality

The Treasury Sales Department remained one of the key areas where Burgan Bank made a difference in 2016 with its customer-oriented approach, product diversity and service quality.

The department helps customers manage their financial risks by providing the right products at the right time in the scope of direct communication with customers during and after the customer visits carried out with the customer representatives in the branches and provides objective and in-depth information about developments in the financial markets with its regular sharing.

The uncertainties that have arisen as a result of the wide fluctuations created by economic and political developments both at home and abroad in 2016 have increased customers' interest in over-the-counter derivatives.

The quantity and the transaction volume of the over-the-counter derivatives realized by the Burgan Bank Treasury Sales Department, which provides effective solutions with a proactive approach to its customers, increased in 2016 compared to the year 2015. In this context and against a backdrop where the Fed was expected to raise interest rates, there has been a remarkable increase in transactions carried out to hedge the interest rate risk of corporate and commercial customers.

Compliance with legal regulations in the banking sector is now of ever more importance. Burgan Bank implemented the systematic and legal changes required by current legal regulations with its prudent approach, taking into account the interests of its customers and has made necessary changes by observing workflows.

Anticipating a decrease in liquidity

A relatively tight monetary policy is expected to start being applied in the markets of developed countries in 2017, especially in the US. In parallel with this projection, access to global liquidity is expected to decline with costs on course to increase when compared to 2016. As a result of the uncertainties, some volatility in interest rates and exchange rates may be seen in 2017, a situation considered to be risky for both the Bank and its customers in all business lines. In line with this foresight, Burgan Bank's main objective is to provide the necessary funding resources at the most reasonable cost and to manage the risks that arise in the balance sheet structure, thereby increasing profitability by maintaining strong liquidity and capital structure.

As always, the Burgan Bank Treasury and Capital Markets Group will continue to help the Bank's customers manage the risks arising from developments in financial markets in 2017 and will respond to their needs.

US$ 404 million

Burgan Bank strengthened its presence in international markets in 2016 with the support of its strong capital structure and extended a total of US$ 404 million of funds.

US$ 150 million

Burgan Bank, which applied for syndication for the first time in 2015, renewed its syndication in 2016 by increasing its loan amount by 21%.

FINANCIAL INSTITUTIONS

Burgan Bank, a representative of a long tradition of international relations, continued to develop mutually cooperative relationships with financial institutions.

Within the scope of its work with correspondent banks and financial institutions, the Bank has made significant improvements in credit limits, terms of use and transaction volumes, despite the volatility of global and national markets in 2016.

An 8% increase in Burgan Bank's total resources provided from correspondent banks in 2016.

Focusing on the optimal use of foreign financing resources, Burgan Bank strengthened its presence in international markets in 2016 with a strong capital base and secured a total of US$ 404 million.

A vehicle for IFC funding for small and medium-sized enterprises

Continuing to develop its relationships with supranational institutions, Burgan Bank signed a new agreement with the IFC, a World Bank organization, in 2016. The agreement covers a US$ 60 million loan with a 6-year term and a grace period of 2 years.

The resource provided by the agreement has largely been allocated to meet the financing needs of small and medium sized enterprises.

Successful renewal of syndication loan

Burgan Bank, which applied for syndication for the first time in 2015, renewed its syndication in 2016 by increasing its loan amount by 21%.

The loan agreement, which was signed for a total amount of US$ 150 million, consists of two US$ 87 million tranches and a € 57 million tranche, with maturities of 364 and 367 days, respectively.

A total of 13 banks from 8 countries participated in the syndicated loan. The syndication loan, which was renewed at a time when global markets were examining developments in our country with extreme caution, served as an important indicator of the reputation and confidence that Burgan Bank commands in international markets.

Burgan Bank rated by FITCH Ratings for the first time in 2016.

Burgan Bank, which had been already rated by Moody's, was rated by FITCH Ratings in 2016.

An Assessment of 2016

FITCH Ratings assigned a BBB- rating to Burgan Bank's foreign currency rating, indicating investment grade, in view of the Bank's strong performance and staunch shareholder support. Burgan Bank's local rating was also announced as BBB- in the credit rating issued by FITCH Ratings, the highest rating that can be awarded to a bank.

There was no change in Moody's credit rating in 2016 and the Ba3 rating, with a stable outlook, was maintained.

Burgan Bank will continue to improve its efficiency and profitability-oriented international relationships in 2017.

OPERATIONS

The Operations Group plays an important, critical and strategic role in achieving Burgan Bank's goals.

Burgan Bank's Operations and Management Services Group employs a workforce of 264 staff, 107 of which are located in the head office and 157 in the branches.

The Group provides the following services;

- Branches Operations,
- Central Operations,
- Construction Real Estate,
- Procurement,
- Fund Management and Securities Operations,
- Security.

The Operations and Management Services Group at Burgan Bank focused more on communication in 2016, creating synergy with domestic and foreign customers. This synergy has directly contributed to the achievement of Burgan Bank's goals.

An international award for operational success

In 2016, Burgan Bank was awarded the Commerzbank 2015 STP Award for flawless and quality payment flow in both commercial payments and fund management payments.

Efforts to reinforce values across the organization

Burgan Bank's Operations and Management Services Group started working on Dynamism, Being Us and Winning, which are Burgan Bank's corporate values. These studies included various projects aimed at making a difference by looking at the operation team's work with alternative perspectives, creating open communication platforms, focusing on field visits and ensuring more efficient use of operational resources.

Projects to increase service quality and boost productivity

A wide array of projects have been implemented at Burgan Bank to improve service quality and improve operational efficiency. Some of these projects are summarized briefly below.

Changes required to comply with CMB regulations were completed rapidly, enabling the continued sale of derivative products without interruption.

The rotation of branch operations teams in General Directorate units was carried out. Regular communications meetings were held in order to operate the information / suggestion sharing network of the Operation and Management Services Group and the operation teams of the branches with synergy-based cooperation.

The operational infrastructure work was completed for products offered to customers through Burgan Bank's alternative distribution channels, which were able to rapidly adapt to market conditions thanks to the Bank's flexible structure.

The participation of the Operations and Management Services Group in marketing activities related to branch foreign trade and credit products contributed to the long term customer relationship.

The Treasury Mid-office was established to support the sale of treasury products and started working under the roof of the Operations and Management Services Group.

Operational Group support services…

Burgan Bank's Construction and Real Estate Department has successfully undertook and completed Burgan Bank Group projects in Kuwait and Dubai.

Within the scope of the Regulation on Support Services for Banks, technical and risk analysis for the services received by Burgan Bank and the institutions providing these services was updated.

Burgan Bank's Operations and Management Services Group will focus on working efficiently and implement projects that contribute to the Bank's ability to rapidly reach its goals in 2017.

STRATEGIC PLANNING AND PROJECT DIRECTORATE

The Strategic Planning and Project Directorate at Burgan Bank is responsible for;

- Reporting to the Bank's upper management on national and international sectoral innovations and trends and submitting proposals that would enhance Burgan Bank's competitive position.
- Managing projects related to new products, services and channels which will be determined in coordination with the business units, tasks that will be given by the senior management in line with Bank's strategic targets, measuring and reporting critical business processes and process improvement areas.
- Central coordination of key projects carried out in the Bank.

Various projects were implemented to increase productivity and profitability in 2016 and the actions needed to effect improvement started to be taken.

Macroeconomic Research Department

Burgan Bank's Macroeconomic Research Department provides macroeconomic analysis and forecasts and prepares the macroeconomic data, reports and presentations needed by decision-makers in the Bank. Periodic reports provide a regular flow of information to the Bank's management and branches.

Corporate Communications Department

The Corporate Communications Department, which carries out all communication processes in an integrated manner in line with Burgan Bank's vision, mission and strategic business goals, manages the Bank's corporate reputation both inside and outside the company. The department also carries out advertising and marketing communication efforts to increase public awareness and Burgan brand recognition and undertakes the organization of various meetings and events in order to strengthen internal and external communication.

Project that draws attention to natural disasters

In 2016, Burgan Bank initiated an important awareness study to draw attention to natural disasters within the scope of corporate social responsibility. The Bank supported Fly Dog K9 Services and K9 search and rescue team and dogs. Crews that save the lives of people who have been wrecked due to earthquakes, floods, landslides, avalanche natural disasters and other different causes are of great importance in our country as well as in the world. Burgan Bank will continue its efforts of social responsibility initiated in this area by expanding coverage in 2017.

Social Life

Burgan Bank's internal communication platform work on social activities in the scope of social activities has been increased, sport and hobby club activities were organized for the Bank's employees and special discounts were provided to employees of the Bank for the organization and activities.

Support for Sailing

In 2016, Burgan Bank continued to sponsor sailing, which it had started in 2015. The Burgan Bank Sailing Team competed with Burgan Bank Extreme boat in the IRC2 class. The sailing team, which continued to work throughout the year, continued to attend important competitions throughout Turkey as they continued their training and achieved successful results.

The Burgan Life magazine started its publication life.

Within the scope of internal communication the Burgan Life magazine project was implemented for the first time with the aim of increasing communication and motivation among employees.

BOARD OF INSPECTORS

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

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

The Board of Inspectors consists of the Branches Audit, Headquarters Audit and Information Systems Audit teams. With this organizational structure, the Board of Inspectors independently carries out an audit of the Bank in line with international auditing standards aimed at improving effectiveness and sufficiency of risk management and internal auditing system, operational efficiency, preservation of assets and efficient use of resources, ensuring that the Bank will reach its strategic goals and purposes.

Within this scope, the audit of the branches, affiliates, units and the processes of the headquarters were completed in line with the 2016 audit plan. The Bank's Senior Management, primarily the Board of Inspectors and Board of Directors, were periodically informed of the audit activities and their results.

Proactive support was provided to enhance risk management and internal control systems in developing new products and services in addition to important infrastructure, transformation and Group integration projects that the Bank carried out in 2016 within the scope of advisory activities.

A structure fully compatible with International Internal Audit Standards

The activities undertaken by the Board of Auditors are required to be evaluated by an independent specialist every five years according to International Internal Audit Standards.

An Assessment of 2016

In this context, as a result of the Quality Assurance Review Project which was carried out by Deloitte Touche Tomatsu Limited, a consulting firm, in 2014, the activities of the Board of Inspectors as well as its position within the organization and its processes were viewed to be in line with International Internal Audit Standards. Similarly, in 2016, a contract was signed with the independent audit and consulting company, Protiviti Risk and Business Consulting, for the purpose of auditing the internal audit activities of all Group companies under the Quality Assurance Review conducted by the Burgan Bank Kuwait Group Audit Unit.

As a result of this review activity, the activities of the Board of Inspectors were found to comply with the "Overall Compliant" rating, which is the highest rating in International Auditing Standards. In line with the standards, in 2016 the Board of Auditors encouraged its auditors to obtain the International Certified Internal Auditor (CIA) and other occupational certificates which are issued by the International Institute of Internal Auditors and other occupational associations.

Working in line with revised legislation and best international practices

The Board of Auditors continued to review and update its audit methodology, program and reporting standards in line with the revised legislation and best international practices in 2016. The Board of Inspectors aims to utilize technology at the highest level for effective audit. Accordingly, the Board of Inspectors continued to invest in Computer Assisted Audit Tools (CAATs) and data mining.

Steps were taken to ensure the coordination of audits carried out by legal authorities such as the BRSA and CBK (Central Bank of Kuwait) as well as by the independent audit firm.

Activities carried out in the Bank's subsidiaries

The Board of Auditors of Burgan Bank works in line with the risk evaluations of the Bank's affiliates, which are in the audit system. In addition, necessary support is extended to affiliates by carrying out supervision activities for their own internal audit functions.

Activities regarding the detection and prevention of abuse

In addition to audit activities scheduled within the scope of the audit plan, the Bank also carried out examination and investigation activities in 2016.

The Board of Auditors has communication channels (a special telephone line, able to take messages 365 days a year on a 24/7 basis and an e-mail address) that will enable any incidents of abuse, irregularity or corruption to be reported to the board directly.

The Board of Auditors continued to provide training on countering abuse and forgery for Bank staff, principally to employees in the branches.

INTERNAL AUDIT UNIT

Burgan Bank's Internal Audit Unit serves the Bank and its affiliates.

The mission of the Internal Audit Unit is to prepare activities with the internal auditing system in coordination with related business units, to improve its effectiveness and adequacy and to carry out second level control activities independently and objectively which cover the basic risks of the organization.

The Internal Audit Unit continued its periodical and spot central and onsite monitoring at branches and the Head office, also examining and monitoring activities using sample methodology under a risk based approach as part of the annual control plan in 2016.

The Internal Audit Unit carried out activities aimed at finding the root causes of frequently recurring symptoms associated with the unit's related activities. The Internal Audit Unit offered suggestions to the management of the related business units in an effort to enhance the auditing environment and permanently resolve related problems. The unit also followed up on the required actions. Auditing activities on main banking and CoBIT (Information Technology) processes were carried out within the scope of the Management Declaration. Furthermore, Internal Control Unit also carried out ISEDES validation activities in 2016.

The Internal Audit Unit continued to coordinate the auditing activities of the affiliates which are consolidated under the Bank.

Regarding the activities carried out by the Internal Control Center, Headquarters and Branch staff in 2016, the "Self-Control Declaration Form (CDDF)" application was implemented for the purpose of ensuring that the controls stated in the duties and responsibilities of the relevant personnel were carried out effectively.

In order to strengthen the Bank's internal control environment, the relevant business units and branches responsible for first level controls were requested to communicate regularly with the Internal Control Center through the CDDF each month regarding the key (basic and critical) controls they perform and their results.

Periodical tests and inspections are carried out by the Internal Control Center on the relevant declaration forms provided on a monthly basis. This application is also aimed at analyzing the results of the controls defined on the existing business processes, to determine ineffective and inefficient controls, to redesign them and thus improve the Bank's internal control system.

New structure

During 2016, the Internal Audit Unit reorganized its activities to be carried out by the Branches Control and Head office Control units, in an effort to enhance its operating efficiency and increase the effectiveness of the checks performed.

In line with the revised organization structure, the Internal Control Unit Policy, job definitions, working principles and methodology were reviewed and current control activities were enhanced by adding new control areas.

Consultancy, training and certification activities

Within the context of consultancy activities, the Internal Audit Unit continued to support projects concerning the process development of new products/services and projects aimed at increasing the operational efficiency and effectiveness of the risk management and internal audit system.

In 2016, the Internal Control Center continued to provide advisory support to the relevant units of the Bank within the context of compliance with the new capital market legislation and the Center coordinated the agreement work to be carried out annually under the relevant legislation.

In an attempt to raise awareness among the Bank's staff to prevent abuse, the Bank personnel and, most importantly, the branch staff continued to attend seminars and workshops on "Forgery and Abuse Awareness".

In addition, seminars started to be provided on "Prevention of the Laundering Proceeds of Crime" to branch personnel during branch visits in coordination with the AML Compliance Unit.

The Chair of the Internal Audit continued to encourage its staff to obtain domestic and international professional title certificates issued by the;

- International Internal Auditors Institute,
- the Capital Markets Licensing and Training Agency (SPL) and other professional institutions.

COMPLIANCE DEPARTMENT

The Compliance Department continued its activities intensively in 2016.

In 2016, the Compliance Department, in addition to its core activities, formed the Legislation Compliance Unit and implemented methodologies such as monitoring of the Bank's compliance by creating working groups on important regulatory changes, publication of the changes periodically in bulletin format throughout Burgan Bank and the sharing of information notes on important processes with related business lines.

The AML Compliance Unit;

- completed the establishment of a cash approval mechanism for the cash transaction risk.
- the Compliance Policy for Combating Laundering Proceeds of Crime and Financing of Terrorism has been updated.

Also in 2016;

- In order to ensure systematic monitoring, customer risk classification was carried out on the basis of certain criteria such as occupation, activity and the sector of the customers.
- The FATCA form was added to the Banking Services Agreement by completing the systematic developments related to the implementation of the Foreign Account Tax Compliance Act (FATCA), to which the Burgan Bank Group and our country is a party.
- The process of system enhancements and controls for banned lists before accepting customers was completed.
- Scenario studies related to Monitoring Tool (SIRON AML) were completed.
- The Quick Statement Project was completed.
- Training activities for the Prevention of the Combating Laundering Proceeds of Crime and the Financing of Terrorism were completed.
- The checking of Documents of Foreign Trade Operations was implemented.

RISK MANAGEMENT

The Risk Management Group continued to work on ensuring compliance with Basel regulations in 2016.

In this context, compliance work related to the BRSA Risk Reports, Regulatory Consistency Assessment Programme (RCAP) and the Liquidity Coverage Ratio Report (LCO) continued. The implementation of the Internal Capital Assessment Process (ISEDES) within the Bank and the preparation of the ISEDES report was coordinated.

The Credit Risk and Modelling Unit within the Risk Management Group was involved in the development of the internal rating models used to measure the credit risk and participated in the related projects while also carrying out validation studies of the existing individual risks. Support was extended for the development of the decision tree infrastructure in order to more effectively manage risks arising from individual loans.

An Assessment of 2016

INFORMATION TECHNOLOGIES

An intensive period in terms of information technology

In 2016, digital banking, customer acquisition from alternative channels, development of information technology infrastructure systems and compliance with banking legislation projects have been put into effect. In this context, the focus is on managing projects in a planned manner and ensuring productivity through efficient information technology resource management.

In addition to new developments in digital banking, Burgan Bank has also launched website, mobile, direct sales and dealer channels. It is also continuing its efforts focused on reaching more customers through new channels and providing faster service.

The completed investments have provided Burgan Bank with technological superiority in many areas and ensured that the IT infrastructure systems keep up with modern banking criteria.

Among the important projects that are performed first that comes to mind in 2016...

Credit Card and POS Infrastructure Renewal Project
The transition of credit cards and POS services serviced by Garanti Technology to the Provus / MasterCard payment systems infrastructure has been completed. This change aims to achieve faster and up-to-date credit card services.

Tablet - Direct Sales Channel Project
Sales through the tablet services are included in Burgan Bank's direct sales channels. This channel allowed more rapid access to customers at their locations; both service quality and profitability were increased.

Dealer - Direct Sales Channel Project
Sales services through dealers were included in Burgan Bank's direct sales channels. By providing quick credit to customers through the dealer channel, customers were able to benefit from advantages in product purchases from the related dealers. The project supported Burgan Bank's profitability and credit sales efficiency.

Halkbank ATM / Branch Loan Payment Project
This project paved the way for the repayment of Burgan Bank loans and credit card debt through Halkbank ATMs and branch offices. Halkbank's extensive service network has provided Burgan Bank customers with significant accessibility.

TEB ATM Loan Payment Project
The Burgan Bank loan repayment service from TEB ATMs was commissioned; customers may now repay credit installments in many locations throughout Turkey from TEB ATMs.

Central Inspection / Internal Control Reporting Project
This project paved the way for all Internal Audit and Internal Control Group reports to be centrally received, consolidated and followed up. The Group is able to produce different reports with the ability to customize their own processes.

Loans BPR Program (Early Warning System, Intelligence Report)
This work paved the way for the automation of early warning, company follow-up, intelligence and reporting in order to improve the service areas of the Loans Group. A total of 32 sub-projects were completed within the program and studies on other projects are continuing.

Invoice Collection System Program
Within the scope of the program, automatic bill payment system was established with 24 different institutions. With the agreement made, new payments will be obtained quickly through all institutions in different qualifications and through the invoice collection infrastructure.

Collection Tracking System Program
Within the scope of the Collection Tracking System, the infrastructure work of monitoring of Burgan Bank customers who experience difficulty in their repayments, the sending of automatic warning messages and for the calling of customers who are deemed to be at risk of defaulting was commissioned.

Operational Efficiency Program
The project aims to increase the productivity of Burgan Bank's operational processes with support from IT systems and normalization of workforce needs. The beneficial effect of the 18 projects within the scope of the program started to be felt.

New Generation Internet Banking Project
Burgan Bank customers are now able to benefit from a new generation of internet banking and call center applications in accordance with market and competition conditions. This application has brought innovation and achievements in terms of speed, performance and features and has been upgraded to a platform that will support technological innovations.

Integrated Security System Project
Security in the e-mail and internet infrastructure has been enhanced by integrating Burgan Bank IT security systems. Thanks to unified integrated systems, Burgan Bank's information security level has been enhanced by raising awareness and follow-up on information security for Bank employees.

The No-Name Debit Card Project
The Burgan Bank digital channels allow automatic progress of all processes of the loan application and instant delivery of the debit card to the customer. The project is aimed at providing higher customer satisfaction with the transfer of credit amounts to the account within the same day and the presentation of the debit card.

Burgan Wealth: IT Infrastructure and Software Installation and Customization Project

The IT infrastructural data security control and dissemination project management for Burgan Investment Dubai, the foreign subsidiary of Burgan Investment, was put into operation.

In 2017...

Burgan Bank will continue to provide an uninterrupted, high quality service to its customers with new products, advanced technology infrastructure and channels in 2017.

Priority will be given to risk mitigation projects aimed at capturing market share for Burgan Bank with a proactive approach to the market and at the same time enabling the provision of service by maintaining continuity, safety and brand reputation.

In order to improve risk modelling processes within the framework of compliance with IFRS 9 Financial standards, the implementation of SPSS and Know Your Customer Siron KYC / Embargo projects will help protect Burgan Bank from potential risks.

Burgan Bank will move forward with its digital banking program in 2017. A retail loan optimization program will be implemented in order to support credit sales from retail banking channels.

HUMAN RESOURCES

The importance of corporate culture

Adding maximum value to all stakeholders, including customers, employees and shareholders, lies at the heart of Burgan Bank's vision, mission and its goals.

The most important element in reaching the goal of generating value for Burgan Bank's stakeholders is the Bank's sound corporate culture that has been developed with the know-how and experience built up over many years.

The key components of this culture can be summed up as follows:
- An understanding which creates a difference and continues to meet the needs of customers and expectations above all else,
- A fast, effective and goal-oriented way of working,
- Fair and transparent business relationships based on trust and honesty,
- A modern working atmosphere which fully respects human dignity.

Burgan Bank's corporate culture shapes its human resources implementations

The Bank's Human Resources department accepts the corporate culture as a focus and reference point in its main functions of recruiting, performance management, career management, the management of pay and benefits, labor relations and the management of training and development.

Competent graduate trainees are employed within the framework of the Management Trainee and Sales Management Trainee programs to enhance the corporate culture and raise the Bank's management teams of the future.

A total of 219 people were joined the Burgan Bank family in 2016.

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

Burgan Bank aims to be a workplace that employees are proud to be a part of, to be a preferred workplace, to be an organization which is prominent in all areas and which shares its success with its employees. Against this backdrop, a study was conducted within the Bank and its subsidiaries entitled "Employee Values have been determined as Being Us, Dynamism and Winning" during 2016 and preliminary studies were performed.

In 2017, projects will be carried out based the aim of further assimilation of these values.

In addition, Burgan Bank offers its employees a working atmosphere which supports their development, respects their work life balance and supports their interests outside work, as well as supporting social and cultural diversity. With its Social Life project which gathers hobbies, sport clubs and volunteering projects, the Bank also supports its employees outside the work place.

Burgan Bank's human resources profile:
- The average age of employees at Burgan Bank is 36.
- Employees have an average of 11 years' experience in the sector.
- 55% of the employees are women.
- 90% of employees are educated to at least undergraduate degree level.

Training and development activities at Burgan Bank

Training and development activities are carried out through class training and distance learning under four different categories;
- Banking technical information and skills,
- Management and personnel development,
- Mandatory certifications and
- Orientation and on the job training programs.

A total of 42,496 hours of training was provided, with each employee receiving an average of 5 days' of training at Burgan Bank in 2016. In-house lecturers provided 50% of the total training.

These numbers suggest that Burgan Bank employees are young but experienced, very well educated and have a balanced profile in terms of the breakdown between men and women. Beyond providing qualified support to all of the Bank's departments at global standards, the Human Resources Group is also Burgan Bank's strategic business partner.

Burgan Finansal Kiralama A.Ş. (Burgan Leasing)

Burgan Leasing continues to grow healthy and fast.

In 2016, Burgan Leasing continued its rapid growth in the sector this year, with its asset volume growing by 41% to TL 1.5 billion by the end of the year with and active lease receivables of TL 1.3 billion. These results demonstrate that the company has maintained its profitability and Burgan Leasing rounded off the year 2016 with a net profit of TL 23.2 million.

Burgan Leasing achieved growth in 2016 against a backdrop of heightened political and economic uncertainty and volatility, while at the same time uncompromisingly maintaining its asset quality and applying its strong credit allocation policy. Burgan Leasing managed to maintain its relationships with problematic customers with the maximum of efficiency by leasing the right assets to the right firms in the right sectors and by exhibiting a proactive approach in the legal follow-up process. Thus, the ratio of Burgan Leasing's non-performing loans portfolio to total assets was less than half of the sector average, at 3.3%.

The company principally provided financial leasing services to customers in the manufacturing, construction, textile, tourism and renewable energy sectors for real estate sell-rent back, machinery-equipment and renewable energy projects during 2016.

Focusing on energy sector investments determined as the target product of the year in 2016, Burgan Leasing completed the preparations for entry into the operational leasing field again and rapidly entered the market in order to expand the operational leasing portfolio.

When the company's financial leasing receivables portfolio is examined by the groups of goods, real estate comprises the highest share, at 46%.

Burgan Leasing remains one of the leading companies in the real estate sector with its experience and knowledge in the industry. Burgan Leasing expanded its banking network during 2016 and signed a special loan agreement for the financing of SMEs at the end of the year.

In 2017, Burgan Leasing plans to focus on real estate, operational leasing and vendor-based operations. Burgan Leasing will continue to support investors in the manufacturing and textile sectors, at the same time continuing its work with the renewable energy sector.

New products

Burgan Leasing's strategy is to take positions and expand in special areas where extensive know-how and expertise is required, while also adding new products to its portfolio through these strategies. With this approach, the company funded the renewable energy and operational leasing businesses in 2016. The company has also undertaken various sale and lease back transactions.

One of Burgan Bank's main targets for 2017 is to access a wider customer base. In line with this strategy, the company has invested in its sales team throughout Turkey.

Growth to continue without interruption

Burgan Leasing will continue to grow rapidly in 2017 in the financial leasing sector, which offers high growth potential, thanks to its strong human resources and firm financial structure, as well as the continuous support of its major shareholders.

Highlights from Burgan Leasing from 2015-2016

(million TL)	2016	2015	% Change
Leasing Receivables	1,310	929	41.0
Total Assets	1,517	1,062	42.7
Net Profit	23.3	21.4	8.7

43%
growth

Burgan Leasing notched up 43% growth in 2016, with an asset size of TL 1.5 billion and leasing receivables of TL 1.4 billion.

TL
23.3
million

Burgan Leasing completed the year 2016 with a net profit of TL 23.3 million.

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

A focus on the capital markets
Burgan Securities serves all investor profiles, domestic, foreign, individual and corporate, in the capital markets in the areas of brokerage, consultancy, corporate financing and asset management.

Burgan Securities is oriented to customers and service, serving all investor profiles, domestic, foreign, individual and corporate, in the capital markets in the areas of brokerage, consultancy, corporate financing and asset management.

Burgan Securities implemented a new business model in 2016. In 2017, the company will adopt a strategy that focuses on technology-based and centralized sales organization. Since the last quarter of 2016, Burgan Securities has continued to provide a customer-centric service under this strategy with an understanding of commitment to maintaining its usual stability and quality for its customers and all its stakeholders.

As a fully authorized brokerage house, Burgan Securities also received licenses for Transactions Brokerage Operations, Portfolio Brokerage Operations, Individual Portfolio Management Operations, Investment Consulting Operations, IPO Brokerage Operations through Underwriting (Book Building) and Best Effort methods; and also received a license to provide Limited Fiduciary Services.

Brokerage activities
Burgan Securities has continued to provide brokerage services in organized markets such as the Stock market, the Derivatives market, Options, Debt Securities and the Takasbank Money Market from various channels. In 2017, the company plans to expand the scope of its brokerage services both in national and international markets by expanding its product range and the diversity of its underlying assets.

Corporate finance activities
In the first quarter of 2016 Burgan Bank successfully realized its first bond issue of TL 75 million. Burgan Bank issued a second bond of TL 75 million in the second quarter of the year. Meanwhile, a total of eight lease certificates worth TL 785 million were successfully completed for Türkiye Finans Katılım Bank during the year.

Burgan Wealth - Dubai
Burgan Securities established the Burgan Wealth Limited in Dubai in June 2016. The Dubai subsidiary, which is structured as a portfolio and wealth management company, operates under the DFSA 3C license in the Dubai International Finance Center (DIFC), a tax-free zone which mainly houses financial institutions. Burgan Wealth offers private portfolio management, consulting, custody, real estate brokering and consulting, wealth management and planning services to its clients.

In 2017, the company aims to expand its product and service range by upgrading its license to the 3A category.

International corporate sales
In 2016, Burgan Securities was engaged in marketing activities to provide direct sales and brokerage and consultancy services to institutional investors based in the US and Europe. Against the backdrop of volatility seen in 2016, foreign investor trading volume decreased when compared to previous years; like other market players, Burgan Securities was affected by this situation.

Research and financial consultancy activities
The preparation of various coverage and quality reports on the financial markets continued in 2016.

TL 785 million

Burgan Securities successfully completed the issue of 8 lease certificates for a total of TL 785 million for Türkiye Finans Katılım Bankası within the year.

TL 150 million

Burgan Securities has successfully completed Burgan Bank's first bond issue, with TL 75 million in the first quarter and TL 75 million in the second quarter of 2016.

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

With a total of 49 branches composed of 9 retail branches, one corporate branch and 39 mixed branches, along with the internet banking application, a call center and 994 personnel, Burgan Bank provides high value added banking products and services in corporate and commercial banking, small business banking, retail banking, private banking and factoring, as well as in leasing and investment banking through its subsidiaries.

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

Million TL		**31 December 2016**	
	Burgan Bank	Sector*	The Bank's Share (%)
Cash Loans	10,283	1,751,697	0.59
Customer Deposits	8,217	1,541,249	0.53
Number of Branches	49	10,781	0.45
Number of Employees	994	196,699	0.51

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

R&D Practices Related To New Services and Activities

The main products that were offered to customers in 2016 are listed below:

- Super Overdraft Account, your overdraft account in our Bank, which can be installed with maturity up to 12 months if you need, it is a credit product designed for quick use without waiting for credit approval in urgent need.

- Süper Banka Kart Hesabı (Super Banking Card Account) is an overdraft account which can be used only for the expenditures made by our Bank's ATM card when there is no money in your account. If there is no money in your account and this account has a defined Super Bank Card Account, it is a credit product that allows you to use your overdraft account with a more suitable rate for expenses you make with our Bank's ATM card from any POS device.

- Direk Satış ve Tüketici Finansmanı (Direct Sales and Consumer Financing), is our new service we offer our services through tablet to our customers with our direct sales team. In the consumer financing side, with dealer contracts, we provide instant and on-site credit with screens integrated into our system at these points.

- Proje Halindeki Gayrimenkul Satışının Kredi ile Finansmanı (Loan Financing of Real Estate Sales under Project) is a loan product designed for the credits to be used for the purpose of financing the under project or incomplete residential housing or workplaces. Thanks to this product, we provide credit support to our customers during construction phase of the real estate.

- Findeks Paketleri (Findex Packages), it is a product we mediate to deliver service packages designed under the Findex framework to the users in line with our cooperation with Credit Bureau.

- Çeyiz Hesabı (Dowry Account), the product that the Ministry of Family and Social Policies regulates the contents of is offered by our Bank. It is a savings account that enables the person to accumulate with small amounts before marriage and to get the state contribution if the specified conditions are fulfilled.

Information on Benefits Provided To Top Management

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

The sum of benefits paid to the top management in the current period totaled TL 17,239 thousand (31 December 2015: TL 15,504 thousand) which includes total gross salaries, travel, meal allowances, health insurance, life insurance, vehicle expenses and other expenses.

As of 31 December 2016, total benefit which was provided to top management, was provided to following groups as a salary package: TL 6,201 thousand to Board Members and the General Manager (1st Group), TL 9,152 thousand to Chief Financial Officer (CFO), Internal Systems Vice President (CIA) and Chief Risk Officer (CRO) and first 5 managers who receive the highest salary (2nd Group).

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

As of 31 December 2016, the total amount of legal action taken against the Bank stood at TL 44,938 thousand (31 December 2015: TL 34,582 thousand) and the Bank sets aside a provision of TL 6,835 thousand (31 December 2015: TL 4,652 thousand) regarding these risks. Due to the delayed reply to e-foreclosure submitted by the Gökpınar Tax Administration, negative declaratory action has been claimed at the “Denizli Tax Authority” and the “Denizli Civil Court of General Jurisdiction” for the cancellation of the payment order of TL 25,459 thousand, which was notified to the Bank. The transactions have been suspended with an injunction obtained in response to the 15% collateral. Trials at administrative courts were resulted in favor of the Bank and these trials are in appeal process. The verdict is expected to be in favor of the Bank. As a result, the Bank has not booked any provisions.

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

None.

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

The sum of the Bank’s Personnel Expenses totaled TL 137,790 thousand as of 31 December 2016 (31 December 2015: TL 129,118 thousand), while the Bank set aside a provision of premium amounting to TL 14,487 thousand (31 December 2015: TL 12,985 thousand) to be paid to the Bank’s personnel.

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

Name and Surname	Position	Date of Appointment to Office	Academic Background	Experience in Banking or Business Administration Prior to Appointment to Office (Years)
CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS:				
Mehmet Nazmi Erten	Chairman	29.01.2014	Bachelor's degree	29
Faisal M.A. Al Radwan	Vice Chairman	29.01.2014	Bachelor's degree	23
Eduardo Eguren Linsen	Member	20.12.2012	Bachelor's degree	25
Majed E.A.A. Al Ajeel	Member	20.12.2012	Master's degree	22
Adrian Alejandro Gostuski	Member	21.12.2012	Master's degree	35
Mehmet Alev Göçmez	Member	23.01.2013	Master's degree	33
Halil Cantekin	Member	30.03.2015	Bachelor's degree	31
Osama T. Al Ghoussein	Member	25.06.2014	Bachelor's degree	33
Ali Murat Dinç	Member and General Manager	03.02.2014	Master's degree	21
CHIEF EXECUTIVE OFFICER:				
Ali Murat Dinç	Member and General Manager	03.02.2014	Master's degree	21
EXECUTIVE VICE PRESIDENTS:				
Robbert J. R. Voogt	Operations, IT and Private Banking Senior Executive Vice President	23.09.2013	Bachelor's degree	15
Esra Aydın	Operations &Management Services	01.08.2007	Bachelor's degree	16
Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	08.08.2007	Master's degree	11
Hüseyin Cem Öge	Corporate Banking	22.08.2007	Master's degree	13
Cihan Vural	Internal Control and Audit	03.11.2008	Bachelor's degree	13
Rasim Levent Ergin	Human Resources	01.11.2012	Master's degree	17
Emine Pınar Kuriş	Retail Banking	10.12.2013	PhD	16
Suat Kerem Sözügüzel	Commercial & SME Banking	01.04.2014	Bachelor's degree	17
Hasan Hüseyin Uyar	Credits	01.04.2014	Master's degree	27
Mehmet Yalçın	Chief Financial Officer	20.05.2016	Bachelor's degree	19

Changes in the Bank's top management during 2016 and until the reporting date:

Appointments
Mehmet Yalçın was appointed as Chief Financial Officer on 20 May 2016.

Resignations
Chief Financial Officer Tuba Onay Ergelen, resigned effective 20 May 2016.

Terms of Office and Professional Experience of Statutory Auditors

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) was elected as an external auditor in pursuant to decision made in our Bank's General Assembly which was held on 31 March 2016.

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

CREDIT COMMITTEE

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

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Board Nomination and Remuneration Committee shall be responsible for presenting recommendations to the Board regarding nomination to the Board's membership, review of Board structure on an annual basis, undertake performance evaluation of the overall Board and the performance of each member on annual basis and developing Bank-wide reward policy in line with applicable laws and regulations. In addition, the Board Nomination and Remuneration Committee shall be responsible for appointment of the senior positions of the Executive Management, ensuring that these positions are occupied by qualified employees along with setting performance standards and succession plans. The Chairman of the Committee is Majed E.A.A. Al Ajeel, Eduardo Eguren Linsen and Mehmet Alev Göçmez serve as members of the Committee. In 2016, two meetings were held with the participation of all members.

INTERNAL SYSTEMS ORGANIZATIONAL FUNCTION GROUPS

AUDIT COMMITTEE

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

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

A. RISK MANAGEMENT SYSTEM

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

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

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

1) RISK COMMITTEE

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

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

2) RISK MANAGEMENT GROUP

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

a) Market Risk Unit

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

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

b) Credit Risk and Modelling Unit

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

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

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

Credit Risk and Modeling Unit is responsible for the monitoring, analysis and validation of the results of the automatic decision systems and the internal rating systems used to measure the credit risk / coordination of the process.

c) Operational Risk Unit

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

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

Meeting Frequencies of Committees:

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

B. INTERNAL SYSTEMS GROUP

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

B.1. INTERNAL AUDIT

Internal Audit consists of branch audit, headquarters audit and information systems audit divisions.

Internal Audit, by carrying out audits in the Bank's branches, headquarter divisions and subsidiaries, aims to provide assurance to the Bank's top management that the Bank's operations are in compliance with the laws and other legislations, the Bank's strategy, policy and procedures and that the Bank's internal control and risk management systems are effective and adequate.

In this context, all banking activities are audited on a risk focused approach and it is targeted to add value to the Bank by providing vision and suggestions for the formation of preventive measures, for the protection of Bank's assets and for increasing operational efficiency.

The audit reports, that are a result of the audits performed in the branches, headquarter divisions and subsidiaries in line with the risk focused annual audit plan, are submitted to the relevant divisions, top management and Audit Committee to ensure the taking of necessary actions.

In line with 2016 audit plan, audit activities of units and processes in branches, affiliates and headquarters and support service companies were completed.

In addition to infrastructure, transformation and Group integration projects that the Bank carried out within the scope of consultancy activity, in 2016, proactive support was given for enhancing risk management and internal control system in developing new products and services.

Board of Auditors activities are required to be evaluated by an independent specialist every five years according to International Internal Audit Standards. In that context, in 2014, Board of Auditors activities are evaluated by Deloitte Touche Tohmatsu Limited, consulting firm, within the scope of Quality Assurance Review. As a result of Quality Assurance Review Project, Board of Auditors activities as well as its position within the organization and its processes were viewed as they are in line with International Internal Audit Standards.

Similarly, in 2016, a contract was signed with the independent audit and consulting company of Protiviti Risk and Business Consulting by the Burgan Bank Kuwait Group Audit Unit for the purpose of reviewing the internal audit activities of all group companies within the scope of the Quality Assurance Evaluation. As a result of this review process, the activities of the Turkish Inspection Board were evaluated as compatible with the "Overall Compliant" rating, which is the best rating according to the International Auditing Standards. 2016 auditing and consulting activities under the Quality Assurance & Development Program were conducted in line with the International Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing" as well as with the Bank's own code of ethics.

In 2016, Board of Auditors, in line with International Standards for the Professional Practice of Internal Audit encourages its auditors to obtain International Certified Internal Auditor (CIA) and other occupational certificates which are given by International Institute of Internal Auditors and other occupational associations.

Board of Auditors reviewed and updated audit methodology, program and reporting standards in line with changed legislation and best international practices in 2016.

Burgan Bank Board of Auditors operates also according to risk evaluations of the Bank's affiliates that are in audit system. In addition to this, necessary support is given to affiliates by carrying out supervision activity for their own internal audit functions.

In addition to audit activities that were scheduled within the scope of audit plan, the Bank also carried out examination and investigation activities in 2016. Board of Auditors has means of communication (a special telephone line which is available for leaving a message for 365 days 7/24 and an e-mail address) that will enable reporting of abuse, irregularity and corruption to the board directly.

Board of Auditors continued to give "Avoiding of Abuse and Forgery" trainings to Bank staff mainly employees at branches.

B.2 INTERNAL CONTROL

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

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

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

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

Any shortages and problem identified are shared daily with the relevant branch and head office units for the necessary actions. In addition, Internal Control Unit's findings together with proposals for the improvement of internal control system and the remediation of risk elements in the general workflows and practices are regularly reported to the Risk Coordination Committee, Audit Committee and via the Audit Committee to the Board of Directors and the actions taken are followed-up.

During 2016, the Internal Control Center continued to coordinate the internal control operations of Burgan Leasing, Burgan Securities and Burgan Asset Management, three subsidiaries whose results are consolidated with the Bank's own.

In 2016, Internal Control Unit personnel has participated in Management Declaration work in the stages of the review of risk matrices, testing and findings follow-up and preparation of Management Declaration, Report and attachments within the main banking and CoBIT (Information Technology) processes. Furthermore, Internal Control Unit also carried out ISEDES validation activities in 2016.

In 2016, Internal Control Center, for the purpose of strengthening the internal control environment, has implemented "Self-Control Declaration Form (SCDF)", in relation to the activities carried out by the relevant general directorates and branch staff in charge of first level controls, ensuring, monitoring and evaluating that key (basic and critical) controls specified in the job descriptions and work flows of the relevant personnel are carried out effectively.

C. COMPLIANCE DEPARTMENT

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

The main activities of the Compliance Unit are as follows;

- Following banking legislation, apart from tax legislation, announcing amendments and innovations to the Bank and Providing advisory services to relevant departments / units of our Bank related to the presentation of new and existing products and services, within the scope of legislation, ensuring that the Bank's implementations and operations are carried out in line with the legislation,

- Following, announcing and conducting necessary controls of legislation in combating laundering the proceeds of crime and financing of terrorism.

While the Compliance Department continued its activities above mentioned in 2016,

The Legislation Compliance Unit,
has implemented methodologies such as monitoring of the Bank's compliance by creating working groups on important regulatory changes, publication of the changes periodically in the bulletin format throughout the Burgan Bank and sharing of information notes on important processes with related business lines.

The AML Compliance Unit,
the systematic infrastructure and methodology have been strengthened within the management activities of the risks of combating laundering the proceeds of crime and financing of terrorism. In this context, systematic implementation of FATCA, customer risk classification, new scenarios added to the monitoring programs and developments were completed. The Compliance Policy has been updated.

Attendance of Board Directors and Members of the Audit and Credit Committees and Members of the Committees Reporting to, or Set Up to Assist, the Board of Directors Under Risk Management Systems Pursuant to the Regulation on Banks' Internal Systems to the Relevant Meetings Held During the Fiscal Year

The Board of Directors convenes monthly. The provisions of the Turkish Commercial Code are adhered to in relation to the quorum for Board of Directors meetings.

The Credit Committee meets once a week.

The Audit Committee meets at least four times a year.

The Risk Committee meets at least four times a year and the Risk Coordination Committee meets biweekly.

The participation of Board of Directors and committee members to relevant meetings was at a sufficient level.

Board of Directors' Summary Report Presented to the General Assembly

Drawing the strength of the Burgan Bank Group, our Bank targeted stable growth in its activities in 2016. In this context, Burgan Bank pursued its banking activity in accord with the Turkish Commercial Code, tax legislation, the Banking Law, Banking Ethics, the "Know Your Customer" and Suspicious Transaction, provisions and the Competition Laws and Guidelines.

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

In 2016, our Bank has focused its attention on customer-oriented activities with its new organization change and management approach through its 49 branches throughout Turkey and fully responded to the financial needs of its customers in the corporate, commercial, retail and private banking business lines by means of an effective pricing policy and a rich array of products. As well as its expanding balance sheet, the Bank also effected significant improvements, which will further strengthen its performance in the future in terms of product and service portfolio, the number of customers and the structure of service channels.

As of 31 December 2016 the Bank's total assets increased by 28.5% and reached TL 13,721,616 thousand.

Customers' deposits were up by 24.1% and amounted to TL 8,309,833 thousand. Besides being above the sector's average last year, this rate of growth also increased the share of savings deposits in the Bank's total deposits. Growth in deposits was accompanied by greater diversification in funding resources and in 2016 the Bank renewed its syndicated loan.

As of December 31st, 2016, 60.6% of the total liabilities consisted of deposits, 26.7% consisted of funds borrowed and money market borrowings and 8% consisted of shareholders' equity.

As far as assets are concerned, total cash loans had reached TL 10,685,527 thousand as of December 31st, 2016, signifying a YoY rise by 30.5% which is above the sector's average.

The total amount of the Bank's non-performing loans accounted for 2.1% of its cash loan portfolio which is below the sector's rate. The Bank set aside 52% provision for non-performing loans.

Total securities stood at TL 684,002 thousand. As a result, 77.9% of our assets consisted of loans, with securities accounting for 5% and cash, CBTR and short term placements comprising 11.4% of our assets.

Last year the Bank registered an 11.3% year-on- year rise in its operating income. This was the result both of above-sector-average expansion in lending with improvements in interest rate margins and of growth in non-interest revenues nourished by cross-sales.

At the same time, operating expenses were strictly controlled so as to support the Bank's growth through sustainable profitability. The result was a 10.5% year-on rise in the Bank's operational net profit, which is its total profit less its operating expenses. The Bank's pre-tax profit in 2016 amounted to TL 91,362 thousand while its net profit was TL 71,673 thousand.

Our principal shareholder continued to support the Bank in 2016. As of 31 December 2016, the Bank's books showed a US$ 250 million long-term loan and a US$ 300 million subordinated loan, both received from its principal shareholder.

As of 31 December 2016, the Bank's unconsolidated standard capital adequacy ratio was 17.66%.

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

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

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

I hereby submit for your consideration and approval Burgan Bank's independently audited financial statements dated 31 December 2016.

Very truly yours,

THE BOARD OF DIRECTORS

Information about Human Resources Practices

Human Resources Policy

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

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

Recruitment

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

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

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

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

Training

The Bank's goals for training are listed below:

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

Training and development plans are implemented, which are aimed at enhancing employees' productivity, ensuring their adaptation to change and raising the future's managers pool, in line with the Bank's objectives. Within this scope, training and development support is given in four categories:
- Banking technical knowledge and skills programs
- Management and personal training programs
- Compulsory certifications
- Orientation and on-the-job training programs

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

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

Career Management

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

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

Performance Appraisal

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

Information about Human Resources Practices

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

Remuneration

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

- Enabling the Bank to attract, acquire, motivate and retain highly competent employees,
- Setting a specific framework in order to ensure a consistent approach in rewarding employees, in line with their roles and responsibilities as well as knowledge and experience.
- The Remuneration Policy ensures also that Compensation & Benefits;

a. are in line with Banking Sector practices,
b. maintain internal equity,
c. are in line with the personnel expenses budget,
d. are aligned with Performance Management Evaluation, thus promoting the result-oriented culture of the Bank.

Staff Vacation Policy

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

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

The employees must use:

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

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

Employment of Relatives Policy

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

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

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

Private Insurance Practices

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

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

The Bank's Transaction With Its Risk Group

	Total Risk Group	Share in Financial Statements (%)
Received loans	1,939,459	59.42
Non cash loans	96,333	4.86
Deposits	92,825	1.12
Banks and other financial institutions	130	0.05
Loans	113	0.00

For details please see Appendix-3 - Section 5 - VII.

Information Regarding Affiliate Report

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

The required information with respect to the transactions between the Bank and related parties has been stated in the part 5 numbers VII of the Footnotes and Information Regarding the Non-Consolidated Financial Statement (Appendix-4). It has been explained at the Affiliate Report which has been prepared by the Board of Directors; "All transactions between the controlling company of the Bank and the affiliate companies of the controlling company in the fiscal year 2016, in the circumstances and conditions known to the board at the time at which the company conducted the legal proceeding or took or refrained from taking the measure, obtained appropriate counter-performance in relation to each proceeding and whether the company incurred any loss due to taking or refraining from taking the measure and in this regard there is no transaction or prevention required to net-off."

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

SUPPORT SERVICE COMPANY	AREA OF EXPERTISE	EXPLANATION OF SERVICE
Active Bilgisayar Hizmetleri Tic. Ltd. Şti.	Information Systems	Nova 2000 Software System
Adesso Turkey Bilgi Teknolojileri Ltd. Şti.	Information Systems	IT Outsourcing
ATC - Athens Technology Centre S.A.	Information Systems	ERP System
Austria Card Turkey Kart Operasyonları A.Ş.	Operational Services	Personalization and Processing of Debit/Credit Cards, Password Printing and Enveloping
Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.	Information Systems	ATM Management System, ATM Card Management System, ATM Fraud Management System
BANTAŞ Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizm. A.Ş.	Logistics	CIT Cash Management Services
BANTAŞ Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizm. A.Ş.	Operational Services	ATM Installation Services
BİLİN Yazılım ve Bilişim Danışmanlığı Ltd. Şti.	Operational Services	Software Support and Development Services
Fineksus Bilişim Çözümleri Ticaret A.Ş.	Information Systems	Paygate Maestro & Search Swift application
Fineksus Bilişim Çözümleri Ticaret A.Ş.	Information Systems	SWIFT Application Software Repair and Maintenance Services
FU Gayrimenkul Yatırım Danışmanlık A.Ş.	Operational Services	Placing and Releasing of Mortgages, Encumbrance Investigation Services
G4S Güvenlik Hizmetleri A.Ş.	Logistics	CIT Cash Management Services
Halıcıoğlu Yazılım Danışmanlık ve Tic. Ltd. Şti.	Operational Services	Legal Tracking System
Innova Bilişim Çözümleri A.Ş.	Information Systems	Kiosks Equipment Installation, Support and Maintenance
Innova Bilişim Çözümleri A.Ş.	Information Systems	Innova Payflex Collection System
Iron Mountain Arşivleme Hizmetleri A.Ş.	Operational Services	Archive Services
İntertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	Core Banking System, Support and Maintenance Services
İntertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	Credit card Integration
İntertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	SIRON Integration
İntertech Bilgi İşlem Pazarlama Ticaret A.Ş.	Information Systems	e-pledge Integration
İpoteka Gayrimenkul Danışmanlık A.Ş.	Operational Services	Deed Transactions
İSNET İstanbul Net Telekomünikasyon Elektronik Servis Hiz. Tic.ve San. A.Ş.	Information Systems	Communication Equipments Procurement
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	Business Continuity and Flexibility Services
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	(DRC) Emergency Services
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	DC and DRC Hosting / Data Storage Center
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Information Systems	IVR and CTI applications, Support and Maintenance Services
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	Operational Services	Derivatives and Investment Statement Printing
MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri Sanayi ve Ticaret A.Ş.	Operational Services	Printing Valuable Documents
Provus Bilişim Hizmetleri A.Ş.	Operational Services	Printing and Distribution of Credit Cards and ATM Cards, Settlement, Reporting, Slip Printing and Distribution Provision Services
Provus Bilişim Hizmetleri A.Ş.	Operational Services	Printing and Distribution of Credit Cards and ATM Cards, Settlement, Reporting, Slip Printing and Distribution Provision Services
Provus Bilişim Hizmetleri A.Ş.	Operational Services	Debit Card Clearing Operation Service
Risk Aktif Danışmanlık Eğitim ve Yazılım San. Tic. Ltd. Şti	Information Systems	Basel II Reporting
Risk Business International Limited	Information Systems	Operation Risk Database
Set Bilgisayar Yaz. Don. Eğt. Müş. Hiz. Ltd. Şti.	Information Systems	IT Outsourcing
TAGAR Tapu Garanti Hizmetleri A.Ş.	Operational Services	Placing and Releasing of Mortgages, Encumbrance Investigation Services
TEPE Savunma ve Güvenlik Sistemleri San. A.Ş.	Security	Physical Security Services
V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizm. Tic. A.Ş.	Information Systems	Internet Banking, Direct Sales Tablet App. Vendor Channel Web App

Corporate Governance Report

The Bank's Corporate Governance aims following points: determining goals and strategies, conducting daily activities, ensuring being accountable to shareholders, protecting rights and interests of all stakeholders, applying rules and regulations of surveillance and supervision authorities, protecting rights and interests of depositors, establishing sound and reliable systems for developing strong risk management systems.

- Protecting shareholders' rights related to participating general assembly, receiving share from the Bank's profits and receiving information about the Bank regularly following the approval of their share ownership and share transfer.
- Treating all shareholders including minority shareholders and foreign shareholders equally.
- Transmitting required information to shareholders at most appropriate time for them to use their rights, providing required opportunities for them to use their rights completely.
- Considering that shareholders' rights represent the significant part of good corporate governance and that the Bank's success is a result of collective efforts of stakeholders such as depositors, borrowers, Bank personnel, investors and other stakeholders who carry out business with banks.

Members of Corporate Governance Committee
CHAIRMAN
Majed E.A.A. Al Ajeel (Independent)

MEMBER
Mehmet N.Erten (Chairman of the Board of Directors)

MEMBER
A. Murat Dinç (General Manager)

Corporate Governance Committee meets every 3 months for 4 times a year.

Activities:
- Detecting the Bank's corporate governance principles, following their application, reviewing their effectiveness and giving support to Board of Directors.
- In line with legal legislation, preparing the Bank's policies regarding Corporate Governance Structure and receiving Board of Director's approval for these.
- Following that Corporate Governance standards and regulations are applied and presenting report to Board of Directors.
- Reviewing Corporate Governance applications annually and giving recommendations about required improvements to Board of Directors, providing appropriate explanations if required by laws and regulations.
- Ensuring that the Bank is managed professionally within the scope of laws, regulations, instructions and internal policies by considering the Bank's operations and its financial safety.
- Providing that Board of Directors act within the framework of independence principle and providing board members to fulfil their responsibilities to the Bank and its all stakeholders in order for researching and discussing the Bank's business and for protecting minority rights without being under pressure; providing board members to fulfil above mentioned responsibilities to the Bank in addition to the party that gave them these responsibilities in case that shareholders have authority to appoint board members.
- Reviewing the Bank's management structure annually, providing that the Bank is in line with requirements of legal legislation.
- Providing written policies for all banking activities and their distribution to all management levels. Providing that these policies are comprehensive and reviewed regularly to cover changes and amendments in laws, instructions, economic conditions and other issues related to the Bank.
- Treating shareholders equally in line with legal legislation and protecting the rights of stakeholders.
- Ensuring that the Bank complies with regulatory requirements/follow ups; monitoring management structure between Board of Directors and Board of Directors' Subcommittees as well as management among Board of Directors' Subcommittees.

Report by Statutory Auditors Organized Pursuant to Article 347 of the Turkish Commercial Code Dated 29/6/1956 and No.6762

Please refer to Appendix-1.

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

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

The Audit Committee meets at least four times a year and reviews and evaluates the efficiency, adequacy and productivity of the Internal Control Framework and Systems particularly with respect to the achievement of the objectives in the categories listed below:
- Efficiency, productivity and adequacy of the Bank's accounting and reporting systems, as well as of the Bank's Internal Audit, Internal Control and Risk Management,
- Accuracy of the data provided by the systems mentioned above,
- Reliability of financial reporting,
- Establishment of communication channels and information system control,
- Compliance with the laws and legislation in force.

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

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

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

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

Independent Auditors' Report

Please refer to Appendix-2.

Financial Statements and Information on Financial Structure

Please refer to Appendix-3.

An Assessment of the Financial Status, Profitability and Solvency

As of end 2016, the Bank's total assets increased by 28.5% and reached TL 13,721,616 thousand.

Liquid assets accounted for 11.4% of the Bank's balance sheet.

At TL 684,002 thousand, the Bank's trading portfolio made up a 5% share of its balance sheet.

There was a 30.5% year-on rise in cash loans, which accounted for a 77.9% share of the total balance sheet as of yearend. The Bank's NPL ratio was 2.1%.

As of 31 December 2016, the Bank's total deposits amounted to TL 8,309,833 thousand. This corresponds to a 60.6% share of the balance sheet.

The Bank's registered share capital ceiling is TL 1 billion; its paid-in capital amounts to TL 900 million.

As of end-2016, the Bank showed a net profit of TL 71,673 thousand.

BURGAN BANK A.Ş. BALANCE SHEET ANALYSIS THOUSAND TL

ASSETS	31 December 2016	31 December 2015	Change (%)
Liquid Assets	1,558,519	1,289,084	20.9
Securities	684,002	654,879	4.4
Loans and Factoring Receivables (Net)	10,685,527	8,187,754	30.5
Subsidiaries	237,171	228,722	3.7
Tangible and Intangible Assets	150,516	107,321	40.2
Other Assets	405,881	207,074	96.0
TOTAL ASSETS	13,721,616	10,674,834	28.5
LIABILITIES			
Deposits	8,309,833	6,695,608	24.1
Funds Borrowed	3,661,707	2,561,507	43.0
Other Liabilities	657,518	405,217	62.3
Shareholders' Equity	1,092,558	1,012,502	7.9
TOTAL LIABILITIES	13,721,616	10,674,834	28.5

BURGAN BANK A.Ş. STRUCTURAL BALANCE SHEET (%)

ASSETS	31 December 2016	31 December 2015
Liquid Assets	11.4	12.1
Securities	5	6.1
Loans and Factoring Receivables (Net)	77.9	76.7
Subsidiaries	1.7	2.1
Tangible and Intangible Assets	1.1	1
Other Assets	2.9	2
TOTAL ASSETS	100.0	100.0
LIABILITIES		
Deposits	60.6	62.7
Funds Borrowed	26.7	24
Other Liabilities	4.8	3.8
Shareholders' Equity	7.9	9.5
TOTAL LIABILITIES	100.0	100.0

An Assessment of the Financial Status, Profitability and Solvency

Parallel to the 30.5% growth in the loan volume, the increase in interest rate margins and upward movement in market interest rates led to a 20.9% increase in the Bank's loan interest income and the increase in gross interest income was 35.2%.

Somewhat similarly, the 24.1% expansion in bank-held deposits led to a 39.5% rate of increase in the interest that was paid on them. However, the growth in interest expenses fell short of the growth in deposits. Owing to loans received from our principal shareholder and from other banks, there was a 49.8% rise in the interest paid on such borrowings compared to the 2015. The 46.6% year-on rise in gross interest expenses is attributable to the growth in resources secured by the Bank to fund the expansion in its assets.

In 2016 favourable developments in interest rate margins accompanied by growth lending and by changes in costs brought on by resource diversification resulted in 16.5% rise in the Bank's net interest income when compared to previous year.

BURGAN BANK A.Ş. NET INTEREST INCOME THOUSAND TL			
	31 December 2016	31 December 2015	Increase (%)
INTEREST INCOME	1,143,862	845,777	35.2
Interest on Loans	831,659	688,055	20.9
Interest on Reserve Requirements	9,570	3,835	149.5
Interest on Banks	1,969	3,046	-35.4
Interest on Money Market Transactions	7,574	5,670	33.6
Interest on Securities	39,864	34,966	14.0
Other Interest Income	253,226	110,205	129.8
INTEREST EXPENSE	(771,705)	(526,287)	46.6
Interest on Deposits	(399,605)	(286,400)	39.5
Interest on Money Market Borrowings	(95,467)	(63,721)	49.8
Interest on Funds Borrowed	(16,724)	(13,329)	25.5
Other Interest Expense	(264,292)	(162,837)	59.6
NET INTEREST INCOME	367,774	319,490	16.5

BURGAN BANK A.Ş. NET INTEREST INCOME ANALYSIS (%)		
	31 December 2016	31 December 2015
INTEREST INCOME	100.0	100.0
Interest on Loans	72.7	81.4
Interest on Reserve Requirements	0.8	0.5
Interest on Banks	0.2	0.4
Interest on Money Market Transactions	0.7	0.7
Interest on Securities	3.5	4.1
Other Interest Income	22.1	12.9
INTEREST EXPENSE	100.0	100.0
Interest on Deposits	51.5	54.4
Interest on Money Market Borrowings	12.3	12.1
Interest on Funds Borrowed	2.2	2.5
Other Interest Expense	34	31.0

Loan provisions amounted to TL 69,492 thousand.

To sum up, total loans were up by 30.5% last year while a 24.1% rise in our total deposits allowed us to support that growth mainly with our own resources. Significantly this was achieved without sacrificing profitability even in the face of the stiff price competition. As a result, there was a 15.1% year-on rise in net interest income and an 11.3% rise in operating revenues, the latter of which was attributable to increases in other interest income and cross-sales earnings. The Bank's sustainable growth was also supported by strict management of operating expenses. In 2016 Burgan Bank posted a net current profit of TL 71,673 thousand, which was 37.4% higher than that of the previous year.

BURGAN BANK A.Ş. NET INCOME ANALYSIS THOUSAND TL

	31 December 2016	31 December 2015	Change (%)
Net Interest Income	367,774	319,490	15.1
Net Commission and Fee Income	23,180	19,039	21.8
Dividend Income	328	54	507.4
Trading Income/Loss (Net)	22,672	28,169	-19.5
Other Operating Income	9,254	13,405	-31.0
Reserve For Loan and Other Losses	(69,492)	(86,635)	-19.8
Operating Expenses	(267,380)	(239,195)	11.8
From Investments Accounted Based on the Equity Method	5,026	10,790	-53.4%
Income Before Tax	91,362	65,117	40.3
Tax	(19,689)	(12,948)	52.1
Net Income	71,673	52,169	37.4

Information on Risk Management Policies Implemented by Types of Risks

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

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

Risk Management Policies

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

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

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

Risk Management

Bank's management aims to ensure that:

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

Risk Limits

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

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

Risk Strategy Objectives

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

Credit Risk Strategy

- The Bank shall engage in lending activities towards legal entities and individuals which exhibit satisfactory creditworthiness and financial standing.
- The Bank shall maintain a diversified credit portfolio. As such, all business sectors where opportunities for profitable growth exist may be eligible for lending purposes. However the effect of economic cycles and other endogenous or exogenous factors must always be taken under consideration in any credit decision.
- The Bank will assume credit risk of which it has a good understanding and is capable to manage, either at individual or at portfolio level.
- The Bank shall require that credit exposures are adequately covered by satisfactory collateral. Unsecured exposures shall be taken with prudence.
- The Bank shall avoid significant concentrations of credit risk, either to single or groups of borrowers or sectors of the economy.
- The Bank aims to extend credit facilities towards customers with a satisfactory credit history and successful overall track record. As such, the Bank shall proceed with financing of start-ups and new ventures with outmost care and on exceptional cases.

Market and Liquidity Risk Strategy

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

Operational Risk Strategy

- The Bank aims to keep operational risk at acceptable levels.
- Operational risk levels shall be closely monitored in respect to their severity and frequency.
- The Bank shall ensure that adequate control functions are established in order to minimize operational risk levels.

Risk Management Unit Organization

The Risk Management Group reports to the Board of Directors through the Risk Committee. The Risk Management Group consists of the Credit Risk, Credit Risk and Modeling, Market Risk and Operational Risk units.

Risk Measurement and Reporting

To quantify credit risk, the Bank uses an advanced scoring system that makes it possible to generate a rating that is specific to each customer. A customer's score is an indication of their ability to repay their borrowing obligations in a timely manner and of their overall creditworthiness. The rating system takes into account both numerical and anecdotal elements. Sectoral concentration, individual concentration and NPL limits are calculated on a monthly basis and the results of such calculations are sent to the members of both the Asset and Liability Committee and the Risk and Audit Committee. Stress tests related to the potential effects of changes that might occur in exchange rate movements and in loan collateral are also conducted on a monthly basis and the results of these calculations are sent to the members of the Risk and Audit Committee.

Currency position, bond and bill position and RMD limits are calculated and monitored on a day-to-day basis by the Market Risk Unit, which is also responsible for performing monthly calculations of the Bank's interest rate gap limits. All market risk limit uses are reported to the Asset and Liability Committee and to the Risk and Audit Committee. Market Risk Unit management regularly conducts stress tests and the results of such testing are reported to the Board of Directors, the Asset and Liability Committee and the Risk and Audit Committee.

Risk Prevention and Mitigation Policies; Processes Aimed at Ensuring the Ongoing Effectiveness of Such Policies

The biggest risk to which the Bank is exposed is credit risk, the Bank has formulated specific policies to ensure the effectiveness and oversight of its collateral management processes. It is a fundamental principal that assets which are accepted as collateral must have a market value that is both quantifiable and trackable. In that context, the types of collateral which the Bank may accept are listed in its lending policy. The Internal Control and Internal Audit Units are responsible for checking both the legal ownership of collateral and its compatibility with current collateral-management procedures. Any collateral-related losses appearing in the Operational Risk Database are analysed to determine their causes, with the results of such analyses being sent to the appropriate units so that measures may be taken as needed.

Interest-rate swaps and/or cross-currency swaps are used by the Treasury and Capital Markets Asset and Liability Management Department to manage the structural interest rate risk which the Bank incurs on its banking-business accounts. The same department also uses currency swaps to manage the Bank's liquidity risk. The Board of Directors has set and approved structural interest rate risk and liquidity risk limits, with policies applicable to them being reviewed at least once a year. The Bank's Internal Control and Internal Audit Units are responsible for conducting process controls to ensure that these risks are being managed effectively.

Ratings Granted by Rating Agencies and their Contents

MOODY'S (Dated on 26 September 2016)		
Category	**Rating**	**Outlook**
(Long Term Foreign Currency)	Ba3	Stable
(Short Term Foreign Currency)	Not Prime	-
(Long Term Local Currency)	Ba3	Stable
(Short Term Local Currency)	Not Prime	-

FITCH (Dated on 9 February 2017)		
Category	**Rating**	**Outlook**
(Long Term Foreign Currency)	BBB-	Stable
(Short Term Foreign Currency)	F3	-
(Long Term Local Currency)	BBB-	Stable
(Short Term Local Currency)	F3	-
Financial Capacity	b+	
Support	2	
National	AAA (tur)	

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

TL thousand	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Total Assets (*)	13,721,616	10,674,834	8,689,365	6,816,283	4,458,981
Loans	10,685,527	8,187,754	6,466,286	4,761,368	3,045,267
Deposits	8,309,833	6,695,608	5,365,121	3,428,695	3,264,555
Shareholders' Equity (*)	1,092,558	1,012,502	953,026	591,217	659,174
Current Year Income/ (Loss) (*)	71,673	52,169	17,824	(53,697)	(34,966)
Non-cash Loans	1,982,236	1,544,155	1,190,752	1,186,621	1,058,312
Capital Adequacy Ratio	17.66%	15.97%	17.74%	14.99%	16.45%

(*) The Bank adjusted related statements in accordance with the TAS 8 Accounting Policies, Turkish Accounting Standard regarding Amendments and Errors in Accounting Estimates in its financial statements and income statement as of 31 December 2012, 2013 and 2014 through making rearrangements with respect to amendments in TAS 27 Separate Financial Statements Standard.

Consolidated Financial Information

	31.12.2016 (*)	31.12.2015 (*)	%
Total Assets	15,094,145	11,573,117	30.4
Loans, factoring and financial lease receivables	12,041,346	9,195,199	31.0
Securities	721,092	679,536	6.1
Deposits	8,248,669	6,611,511	24.8
Borrowings and money market placements	5,048,922	3,448,473	46.4
Shareholders' Equity	1,092,558	1,012,502	7.9
Non-cash Loans	1,982,236	1,544,155	28.4
Current Year Income/ (Loss)	71,673	52,169	37.4
Capital Adequacy Ratio (*)	15.85%	14.49%	9.4

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

Consolidated Financial Information

Our consolidated subsidiaries are presented below as of 31 December 2016:

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

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

	Total Assets	Shareholders' Equity	Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/Loss	Fair Value
1	1,516,541	163,221	9,771	98,518	-	23,293	21,435	-
2 (*)	178,253	74,034	5,490	14,612	2,514	(18,267)	(10,645)	-

(*) These figures include the consolidated results reported by Burgan Yatırım Menkul Değerler A.Ş., a brokerage and its subsidiaries Burgan Portföy Yönetimi A.Ş., an asset manager and Burgan Wealth Limited Dubai.

Please consult Appendix-4 for the Consolidated Independent Auditor's Report, the Consolidated Financial Report and Consolidated Information on Financial Structure.

APPENDIX-1
CONVENIENCE TRANSLATION OF THE REPORT ON COMPLIANCE OF ANNUAL REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

APPENDIX-2
PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT AT 31 DECEMBER 2016

APPENDIX-3
PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH REVIEW REPORT AT 31 DECEMBER 2016

Building a better working world

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(Convenience translation of a report originally issued in Turkish)

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

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

Report on the Audit of the Annual Report of the Board of Directors in Accordance with the Independent Auditing Standards

We have audited the annual report of Burgan Bank A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group") as at December 31, 2016.

Responsibility of the Bank's Board of Directors

In accordance with Article 514 of the Turkish Commercial Code (TCC) no.6102 and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks'published in official gazette no.26333 dated November 1, 2006, the Bank management is responsible for the preparation and fair presentation of annual report consistent with the consolidated and unconsolidated financial statements prepared in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; "BRSA Accounting and Financial Reporting Legislation" ("consolidated and unconsolidated financial statements") and for the internal control considered for the preparation of a report of such quality.

Independent Auditor's responsibility

Our responsibility is to express an opinion based on the independent audit we performed on the Bank's annual report, in accordance with the Article 397 of TCC and "Communique on Independent Audit of Banks" published in the Official Gazette no.29314 dated 2 April 2015 on whether the financial information provided in this annual report is presented fairly and consistent with the Bank's consolidated and unconsolidated financial statements there on which auditor's report dated March 10, 2017 has been issued.

We conducted our audit in accordance Independent Standards of Auditing ("ISA") which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). These standards require compliance with ethical requirements the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated and unconsolidated financial statements. An independent audit involves performing audit procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the independent auditor's professional judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated and unconsolidated financial statements in all material respects.

Report on other responsibilities arising from regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention to be disclosed which causes us to believe that the Bank will not be able to continue as a going concern in the foreseeable future.

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

Fatma Ebru Yücel, SMMM
Partner

Istanbul, March 10, 2017

(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 2016

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

Independent auditor report

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

Report on the Unconsolidated Financial Statements

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

Responsibility of the Bank's Board of Directors for the Unconsolidated Financial statements

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

Independent Auditor's Responsibility

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

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

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

Opinion

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

Reports on arising from other regulatory requirements:

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

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

Additional paragraph for convenience translation to English:

As explained in detail in Note I. 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

Fatma Ebru Yücel, SMMM
Partner

Istanbul, Turkey
March 10, 2017

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

THE UNCONSOLIDATED FINANCIAL REPORT OF BURGAN BANK A.Ş. AS OF 31 DECEMBER 2016

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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.

10 March 2017

Mehmet N. ERTEN Chairman of the Board of Directors	Ali Murat DİNÇ Member of the Board of Directors and General Manager	Mehmet YALÇIN Financial Affairs Vice General Manager	Ahmet CIĞA 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 CIĞA / Head of Accounting, Tax, and Reporting Unit
Telephone Number	: 0 212 371 34 84
Fax Number	: 0 212 371 42 48

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SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

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

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

According to the Share Transfer Agreement signed between the SDIF and Tekfen Holding A.Ş. on 30 June 2001, 2.983.800.000 shares with a nominal value of Kr1 each and which amount to 99,46% of the capital of Bank Ekspres A.Ş. under the control of the SDIF in accordance with Banking Law were transferred to Tekfen Holding A.Ş.. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., where Tekfen Holding A.Ş. owns 57,69% of the Bank, by Bank Ekspres A.Ş. was permitted by the Banking Regulation and Supervision Agency's ("BRSA") decision numbered 489 dated 18 October 2001. The share transfers were realised on 26 October 2001 and the bank's name was changed to Tekfenbank Anonim Şirketi (the "Bank"), which had two main shareholders: Tekfen Holding A.Ş. with 57,30% and TST International S.A. with 40,62%.

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

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

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

GENERAL INFORMATION (Continued)

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

The Bank's registered capital ceiling is 1 million TL. There are no changes to the Bank's shareholder structure.

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).

GENERAL INFORMATION (Continued)

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

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

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

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

GENERAL INFORMATION (Continued)

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES:

Name/Commercial title	Share Amounts	Share percentage	Paid-in Capital	Unpaid portion
Burgan Bank K.P.S.C.	893.324	99,26 %	99,26 %	-

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 2016, the Bank has 49 branches operating in Turkey (31 December 2015: 56). The Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2016, the Bank has 994 (31 December 2015: 1.022) employees.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

BURGAN BANK A.Ş.
UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)
AT 31 DECEMBER 2016 AND 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I.	**BALANCE SHEET**	**Note**						
		(Section		**(31/12/2016)**			**(31/12/2015)**	
	ASSETS	**Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	CASH AND BALANCES WITH CENTRAL BANK	**I-a**	**161.250**	**1.157.611**	**1.318.861**	**147.885**	**946.187**	**1.094.072**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)**	**I-b**	**73.053**	**51.786**	**124.839**	**47.077**	**37.403**	**84.480**
2.1	Trading Financial Assets		**73.053**	**51.786**	**124.839**	47.077	37.403	84.480
2.1.1	Government Debt Securities		11.975	840	12.815	7.263	2.569	9.832
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		61.078	50.111	111.189	37.656	34.610	72.266
2.1.4	Other Marketable Securities		-	835	835	2.158	224	2.382
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**	**22**	**239.636**	**239.658**	**87.094**	**107.918**	**195.012**
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**	**346.982**	**168.612**	**515.594**	**269.040**	**380.474**	**649.514**
5.1	Share Certificates		6.849	-	6.849	6.849	-	6.849
5.2	Government Debt Securities		338.714	92.465	431.179	258.441	279.985	538.426
5.3	Other Marketable Securities		1.419	76.147	77.566	3.750	100.489	104.239
VI.	**LOANS**	**I-e**	**4.620.245**	**6.064.455**	**10.684.700**	**3.727.581**	**4.458.500**	**8.186.081**
6.1	Loans		4.508.446	6.064.455	10.572.901	3.636.333	4.458.500	8.094.833
6.1.1	Loans to Bank's Risk Group		106	7	113	84	5	89
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		4.508.340	6.064.448	10.572.788	3.636.249	4.458.495	8.094.744
6.2	Loans under Follow-up		231.217	-	231.217	210.305	-	210.305
6.3	Specific Provisions (-)		119.418	-	119.418	119.057	-	119.057
VII.	**FACTORING RECEIVABLES**	**I-e**	**123**	**704**	**827**	**856**	**817**	**1.673**
VIII.	**HELD-TO-MATURITY SECURITIES (Net)**	**I-f**	-	**161.607**	**161.607**	-	-	-
8.1	Government Debt Securities		-	161.607	161.607	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**I-g**	-	-	-	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
X.	**SUBSIDIARIES (Net)**	**I-h**	**237.171**	-	**237.171**	**228.722**	-	**228.722**
10.1	Unconsolidated Financial Subsidiaries		237.171	-	237.171	228.722	-	228.722
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**	**176.246**	**4.771**	**181.017**	**40.809**	**36**	**40.845**
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		176.246	4.771	**181.017**	40.809	36	40.845
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	**PROPERTY AND EQUIPMENT (Net)**	**I-l**	**58.999**	-	**58.999**	**58.027**	-	**58.027**
XV.	**INTANGIBLE ASSETS (Net)**	**I-m**	**46.352**	-	**46.352**	**42.609**	-	**42.609**
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		46.352	-	46.352	42.609	-	42.609
XVI.	**INVESTMENT PROPERTY (Net)**	**I-n**	-	-	-	-	-	-
XVII.	**TAX ASSET**		**1.463**	-	**1.463**	**655**	-	**655**
17.1	Current Tax Asset		1.463	-	1.463	-	-	-
17.2	Deferred Tax Asset	I-o	-	-	-	655	-	655
XVIII.	**ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**	**I-p**	**45.165**	-	**45.165**	**6.685**	-	**6.685**
18.1	Held for Resale		45.165	-	45.165	6.685	-	6.685
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	**I-r**	**55.806**	**49.557**	**105.363**	**72.998**	**13.461**	**86.459**
	TOTAL ASSETS		**5.822.877**	**7.898.739**	**13.721.616**	**4.730.038**	**5.944.796**	**10.674.834**

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)
AT 31 DECEMBER 2016 AND 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I.	**BALANCE SHEET**	**Note (Section Five)**	**(31/12/2016)**			**(31/12/2015)**		
	LIABILITIES		**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**II-a**	**2.853.924**	**5.455.909**	**8.309.833**	**1.877.718**	**4.817.890**	**6.695.608**
1.1	Deposits of Bank’s Risk Group		14.322	78.503	92.825	9.955	98.168	108.123
1.2	Other		2.839.602	5.377.406	8.217.008	1.867.763	4.719.722	6.587.485
II.	**TRADING DERIVATIVE FINANCIAL LIABILITIES**	**II-b**	**130.824**	**36.078**	**166.902**	**46.703**	**29.918**	**76.621**
III.	**BORROWINGS**	**II-c**	**24.711**	**2.182.008**	**2.206.719**	**37.466**	**1.689.362**	**1.726.828**
IV.	**MONEY MARKETS**		**212.082**	**185.428**	**397.510**	**129.967**	**265.819**	**395.786**
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		4.502	-	4.502	-	-	-
4.3	Funds Provided Under Repurchase Agreements		207.580	185.428	393.008	129.967	265.819	395.786
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**		**43.643**	**159.287**	**202.930**	**37.885**	**31.755**	**69.640**
VIII.	**OTHER LIABILITIES**	**II-e**	**61.368**	**5.905**	**67.273**	**82.848**	**2.253**	**85.101**
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**	**27.528**	**1.958**	**29.486**	**15.132**	**-**	**15.132**
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		27.528	1.958	29.486	15.132	-	15.132
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	**PROVISIONS**	**II-h**	**79.963**	**73.726**	**153.689**	**77.592**	**59.435**	**137.027**
12.1	General Loan Loss Provision		36.460	53.785	90.245	38.681	38.816	77.497
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		26.123	-	26.123	23.564	-	23.564
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		17.380	19.941	37.321	15.347	20.619	35.966
XIII.	**TAX LIABILITY**	**II-i**	**37.238**	**-**	**37.238**	**21.696**	**-**	**21.696**
13.1	Current Tax Liability		23.442	-	23.442	21.696	-	21.696
13.2	Deferred Tax Liability		13.796	-	13.796	-	-	-
XIV.	**PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**	**II-j**	-	-	-	-	-	-
14.1	Held for Resale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	**II-k**	**-**	**1.057.478**	**1.057.478**	**-**	**438.893**	**438.893**
XVI.	**SHAREHOLDERS' EQUITY**	**II-l**	**1.097.572**	**(5.014)**	**1.092.558**	**1.013.359**	**(857)**	**1.012.502**
16.1	Paid-in Capital		900.000	-	900.000	900.000	-	900.000
16.2	Capital Reserves		32.810	(5.014)	27.796	20.270	(857)	19.413
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(872)	(6.999)	(7.871)	(1.521)	(857)	(2.378)
16.2.4	Tangible Assets Revaluation Reserve		16.127	-	16.127	15.122	-	15.122
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)		19.930	1.985	21.915	9.216	-	9.216
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(2.375)	-	(2.375)	(2.547)	-	(2.547)
16.3	Profit Reserves		93.089	-	93.089	87.205	-	87.205
16.3.1	Legal Reserves		20.178	-	20.178	19.107	-	19.107
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		72.911	-	72.911	68.098	-	68.098
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		71.673	-	71.673	5.884	-	5.884
16.4.1	Prior Years’ Income/ (Loss)		-	-	-	(46.285)	-	(46.285)
16.4.2	Current Year Income/ (Loss)		71.673	-	71.673	52.169	-	52.169
	TOTAL LIABILITIES		**4.568.853**	**9.152.763**	**13.721.616**	**3.340.366**	**7.334.468**	**10.674.834**

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

BURGAN BANK A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEETS COMMITMENTS AT
31 DECEMBER 2016 AND 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II.	**OFF-BALANCE SHEET**		**(31/12/2016)**			**(31/12/2015)**		
		Note(Section Five)	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
A	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**6.451.280**	**17.996.288**	**24.447.568**	**6.930.497**	**12.989.086**	**19.919.583**
I.	**GUARANTEES AND WARRANTIES**	**III-a-2-3**	**734.697**	**1.247.539**	**1.982.236**	**631.672**	**912.483**	**1.544.155**
1.1	Letters of Guarantee		730.919	853.508	1.584.427	628.292	596.943	1.225.235
1.1.1	Guarantees Subject to State Tender Law		7.398	4.575	11.973	7.486	26.218	33.704
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		723.521	848.933	1.572.454	620.806	570.725	1.191.531
1.2	Bank Acceptances		3.750	126.967	130.717	3.352	93.928	97.280
1.2.1	Import Letter of Acceptance		3.750	126.967	130.717	3.352	93.928	97.280
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	256.635	256.635	-	195.057	195.057
1.3.1	Documentary Letters of Credit		-	256.635	256.635	-	195.057	195.057
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		28	-	28	28	-	28
1.8	Other Guarantees		-	10.429	10.429	-	26.555	26.555
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**III-a-1**	**665.226**	**392.275**	**1.057.501**	**717.279**	**275.640**	**992.919**
2.1	Irrevocable Commitments		665.226	392.275	1.057.501	717.279	275.640	992.919
2.1.1	Asset Purchase and Sales Commitments		184.868	392.275	577.143	220.061	275.640	495.701
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		145.005	-	145.005	168.409	-	168.409
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		302.867	-	302.867	299.665	-	299.665
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		17.475	-	17.475	25.825	-	25.825
2.1.10	Promotion Commitments for Credit Cards and Banking Services		14	-	14	19	-	19
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		-	-	-	3.300	-	3.300
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**III-b**	**5.051.357**	**16.356.474**	**21.407.831**	**5.581.546**	**11.800.963**	**17.382.509**
3.1	Hedging Derivative Financial Instruments		587.700	1.693.496	2.281.196	248.580	736.192	984.772
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		587.700	1.693.496	2.281.196	248.580	736.192	984.772
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.463.657	14.662.978	19.126.635	5.332.966	11.064.771	16.397.737
3.2.1	Forward Foreign Currency Buy/Sell Transactions		329.245	686.909	1.016.154	374.864	949.719	1.324.583
3.2.1.1	Forward Foreign Currency Transactions-Buy		205.259	297.660	502.919	200.408	460.907	661.315
3.2.1.2	Forward Foreign Currency Transactions-Sell		123.986	389.249	513.235	174.456	488.812	663.268
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		2.787.163	9.546.973	12.334.136	2.969.773	7.078.635	10.048.408
3.2.2.1	Foreign Currency Swap-Buy		1.379.714	1.201.567	2.581.281	1.023.004	1.912.070	2.935.074
3.2.2.2	Foreign Currency Swap-Sell		967.449	1.662.682	2.630.131	1.506.769	1.449.699	2.956.468
3.2.2.3	Interest Rate Swap-Buy		220.000	3.341.362	3.561.362	220.000	1.858.433	2.078.433
3.2.2.4	Interest Rate Swap-Sell		220.000	3.341.362	3.561.362	220.000	1.858.433	2.078.433
3.2.3	Foreign Currency, Interest rate and Securities Options		1.347.249	4.429.096	5.776.345	1.988.329	3.036.417	5.024.746
3.2.3.1	Foreign Currency Options-Buy		734.860	2.151.650	2.886.510	985.139	1.524.640	2.509.779
3.2.3.2	Foreign Currency Options-Sell		612.389	2.277.446	2.889.835	1.003.190	1.511.777	2.514.967
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**29.670.012**	**19.941.092**	**49.611.104**	**24.307.387**	**14.098.416**	**38.405.803**
IV.	**ITEMS HELD IN CUSTODY**		**1.331.012**	**136.089**	**1.467.101**	**1.208.992**	**117.865**	**1.326.857**
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		277.886	31.344	309.230	260.179	18.910	279.089
4.3	Cheques Received for Collection		985.735	85.790	1.071.525	843.730	83.272	927.002
4.4	Commercial Notes Received for Collection		67.391	18.955	86.346	105.083	15.683	120.766
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**28.339.000**	**19.802.011**	**48.141.011**	**23.097.445**	**13.968.187**	**37.065.632**
5.1	Marketable Securities		2.650	-	2.650	1.043	-	1.043
5.2	Guarantee Notes		18.791.720	9.532.145	28.323.865	16.761.580	8.098.175	24.859.755
5.3	Commodity		963.418	9.139	972.557	677.707	8.807	686.514
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		8.098.494	7.156.032	15.254.526	5.359.812	4.083.800	9.443.612
5.6	Other Pledged Items		482.718	3.104.695	3.587.413	297.303	1.777.405	2.074.708
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		-	**2.992**	**2.992**	**950**	**12.364**	**13.314**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**36.121.292**	**37.937.380**	**74.058.672**	**31.237.884**	**27.087.502**	**58.325.386**

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
31 DECEMBER 2016 AND 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III.	INCOME STATEMENT INCOME AND EXPENSE ITEMS	Note (Section Five)	01/01/2016-31/12/2016	01/01/2015-31/12/2015
I.	**INTEREST INCOME**	**IV-a**	**1.143.862**	**845.777**
1.1	Interest on Loans		831.659	688.055
1.2	Interest Received from Reserve Requirements		9.570	3.835
1.3	Interest Received from Banks		1.969	3.046
1.4	Interest Received from Money Market Transactions		7.574	5.670
1.5	Interest Received from Marketable Securities Portfolio		39.864	34.966
1.5.1	Trading Financial Assets		3.247	3.258
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		34.778	31.708
1.5.4	Held-to-maturity Investments		1.839	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income	IV-l	253.226	110.205
II.	**INTEREST EXPENSE (-)**	**IV-b**	**776.088**	**526.287**
2.1	Interest on Deposits		399.605	286.400
2.2	Interest on Funds Borrowed		95.467	63.721
2.3	Interest Expense on Money Market Transactions		16.724	13.329
2.4	Interest on Securities Issued		4.383	-
2.5	Other Interest Expenses	IV-l	259.909	162.837
III.	**NET INTEREST INCOME (I + II)**		**367.774**	**319.490**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**23.180**	**19.039**
4.1	Fees and Commissions Received		28.702	26.517
4.1.1	Non-cash Loans		14.417	11.754
4.1.2	Other	IV-l	14.285	14.763
4.2	Fees and Commissions Paid (-)		5.522	7.478
4.2.1	Non-cash Loans (-)		22	14
4.2.2	Other (-)	IV-l	5.500	7.464
V.	**DIVIDEND INCOME**	**IV-c**	**328**	**54**
VI.	**TRADING INCOME/(LOSS) (Net)**	**IV-d**	**22.672**	**28.169**
6.1	Trading Gains/(Losses) on Securities		6.025	4.061
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		9.911	(5.749)
6.3	Foreign Exchange Gains/(Losses)		6.736	29.857
VII.	**OTHER OPERATING INCOME**	**IV-e**	**9.254**	**13.405**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**423.208**	**380.157**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**IV-f**	**69.492**	**86.635**
X.	**OTHER OPERATING EXPENSES (-)**	**IV-g**	**267.380**	**239.195**
XI.	**NET OPERATING INCOME/(LOSS) (VIII+IX+X)**		**86.336**	**54.327**
XII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**	-
XIII.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**5.026**	**10.790**
XIV.	**INCOME/(LOSS) ON NET MONETARY POSITION**		**-**	**-**
XV.	**INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+…+XIV)**	**IV-h**	**91.362**	**65.117**
XVI.	**TAX PROVISION FOR CONTINUING OPERATIONS (-)**	**IV-i**	**19.689**	**12.948**
16.1	Current Tax Provision		6.478	3.598
16.2	Deferred Tax Provision		13.211	9.350
XVII.	**NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)**	**IV-j**	**71.673**	**52.169**
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**	**71.673**	**52.169**
	Earnings/(Loss) per share (1.000 nominal in TL full)		0,796	0,580

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

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

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY		31/12/2016	31/12/2015
I.	**ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS**	**(8.130)**	**(4.423)**
II.	**REVALUATION DIFFERENCES OF TANGIBLE ASSETS**	**1.256**	**2.419**
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)**	**15.874**	**11.520**
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(*)**	**215**	**191**
VIII.	**OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS**	**1.011**	**(574)**
IX.	**DEFERRED TAX ON VALUATION DIFFERENCES**	**(1.843)**	**(1.826)**
X.	**NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)**	**8.383**	**7.307**
XI.	**CURRENT PERIOD INCOME/LOSS**	**71.673**	**52.169**
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	3.634	1.419
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	68.039	50.750
XII.	**TOTAL (INCOME)/LOSS RELATED TO THE CURRENT PERIOD (X+XI)**	**80.056**	**59.476**

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	PRIOR PERIOD 31/12/2015	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Shareholders' Equity
I.	**Prior Period End Balance(31/12/2014)**	**II-l**	**900.000**	-	-	-	**18.397**	-	**51.235**	**(2.492)**	**17.824**	**(46.285)**	**1.160**	**13.187**	-	-	-	**953.026**
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**	-	-	-	**18.397**	-	**51.235**	**(2.492)**	**17.824**	**(46.285)**	**1.160**	**13.187**	-	-	-	**953.026**
	Changes in the Period																	-
IV.	**Increase/Decrease due to the Merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Marketable Securities Valuation Differences**		-	-	-	-	-	-	-	-	-	-	**(3.538)**	-	-	-	-	**(3.538)**
VI.	**Hedging Reserves (Effective Portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**9.216**	-	**9.216**
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	9.216	-	9.216
6.2	Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Revaluation Differences of Tangible Assets**		-	-	-	-	-	-	-	-	-	-	-	**1.935**	-	-	-	**1.935**
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**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Capital Increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Share Premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Share Cancellation Profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	**Adjustment to Share Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	**Other**		-	-	-	-	-	-	-	**(306)**	-	-	-	-	-	-	-	**(306)**
XIX.	**Current Year Income or Loss**		-	-	-	-	-	-	-	-	**52.169**	-	-	-	-	-	-	**52.169**
XX.	**Profit Distribution**		-	-	-	-	**710**	-	**16.863**	**251**	**(17.824)**	-	-	-	-	-	-	-
20.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves		-	-	-	-	710	-	16.863	251	(17.824)	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+…+XX)		**900.000**	-	-	-	**19.107**	-	**68.098**	**(2.547)**	**52.169**	**(46.285)**	**(2.378)**	**15.122**	-	**9.216**	-	**1.012.502**

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	CURRENT PERIOD 31/12/2016	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Shareholders' Equity
I.	**Prior Period End Balance(31/12/2015)**	**II-l**	**900.000**	-	-	-	**19.107**	-	**68.098**	**(2.547)**	**52.169**	**(46.285)**	**(2.378)**	**15.122**	-	**9.216**	-	**1.012.502**
	Changes in the Period																	
II.	**Increase/Decrease due to the Merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable Securities Valuation Differences**		-	-	-	-	-	-	-	-	-	-	**(6.427)**	-	-	-	-	**(6.427)**
IV.	**Hedging Reserves (Effective Portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**12.699**	-	**12.699**
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	12.699	-	12.699
4.2	Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Revaluation Differences of Tangible Assets**	**V-e**	-	-	-	-	-	-	-	-	-	-	-	**1.005**	-	-	-	**1.005**
VI.	**Revaluation Differences of Intangible Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign Exchange Difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Changes due to the Disposal of Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Changes due to the Reclassification of the Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effects of Changes in Equity of Investments in Associates**		-	-	-	-	-	-	-	-	-	-	**934**	-	-	-	-	**934**
XII.	**Capital Increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share Premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share Cancellation Profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Adjustment to Share Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	**Other**		-	-	-	-	-	-	-	**172**	-	-	-	-	-	-	-	**172**
XVII.	**Current Year Income or Loss**		-	-	-	-	-	-	-	-	**71.673**	-	-	-	-	-	-	**71.673**
XVIII.	**Profit Distribution**		-	-	-	-	**1.071**	-	**4.813**	-	**(52.169)**	**46.285**	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	V-b	-	-	-	-	1.071	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (I+ …+XVIII)		**900.000**	-	-	-	**20.178**	-	**72.911**	**(2.375)**	**71.673**	-	**(7.871)**	**16.127**	-	**21.915**	-	**1.092.558**

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI.	**CASH FLOW STATEMENT**	**Note**	**(31/12/2016)**	**(31/12/2015)**
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**(18.843)**	**155.874**
1.1.1	Interest Received		1.032.880	770.622
1.1.2	Interest Paid		(766.221)	(520.470)
1.1.3	Dividend Received		328	54
1.1.4	Fees and Commissions Received		27.109	25.145
1.1.5	Other Income		-	-
1.1.6	Collections from Previously Written-off Loans and Other Receivables		80.052	63.367
1.1.7	Payments to Personnel and Service Suppliers		(137.790)	(129.118)
1.1.8	Taxes Paid	VI-b	(7.941)	-
1.1.9	Other		(247.260)	(53.726)
1.2	**Changes in Operating Assets and Liabilities**		**(405.501)**	**(157.029)**
1.2.1	Net (Increase)/Decrease in Trading Securities		(2.826)	38.369
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Due from Banks		(186.213)	(339.333)
1.2.4	Net (Increase)/Decrease in Loans		(2.466.963)	(1.775.067)
1.2.5	Net (Increase)/Decrease in Other Assets		(49.772)	62.713
1.2.6	Net Increase/(Decrease) in Bank Deposits		6.755	(90.475)
1.2.7	Net Increase/(Decrease) in Other Deposits		1.600.715	1.416.811
1.2.8	Net Increase/(Decrease) in Funds Borrowed		567.484	495.119
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	VI-b	125.319	34.834
I.	**Net Cash Provided from Banking Operations**		**(424.344)**	**(1.155)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided from Investing Activities**		**(59.584)**	**37.216**
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		(20.028)	(37.243)
2.4	Disposals of Property and Equipment		2.131	7.021
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(331.917)	(510.931)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		451.837	578.369
2.7	Cash Paid for Purchase of Investment Securities		(161.607)	-
2.8	Cash Obtained from Sale of Investment Securities		-	-
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided from Financing Activities**		**527.880**	**-**
3.1	Cash Obtained from Funds Borrowed and Securities Issued		677.880	-
3.2	Cash Used for Repayment Of Funds Borrowed and Securities Issued		(150.000)	-
3.3	Issued Capital Instruments		-	-
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**		**38.303**	**13.347**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)**		**82.254**	**49.408**
VI.	**Cash and Cash Equivalents at Beginning of the Period**		**552.162**	**502.753**
VII.	**Cash and Cash Equivalents at end of the Period**		**634.416**	**552.161**

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

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

VII.	**PROFIT APPROPRIATION STATEMENT**	**(31/12/2016)(*)**	**(31/12/2015)(**)**
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	91.362	65.117
1.2	TAXES AND DUTIES PAYABLE (-)	19.689	12.948
1.2.1	Corporate Tax (Income tax)	6.478	3.598
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	13.211	9.350
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**71.673**	**52.169**
1.3	PRIOR YEAR LOSSES (-)	-	46.285
1.4	FIRST LEGAL RESERVES (-)	-	1.071
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	-	**4.813**
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	-	4.813
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES		
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) TL 5.026 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 2016, includes the effects of TAS 27 standard.

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION:

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

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

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

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

Accounting policies and procedures, tracked during the preparation of financial statements, are determined and applied in accordance with regulations, communique, declarations and circulars published related to accounting and financial reporting principles by Banking Regulation and Supervision Authority (BRSA) and the principles existing in scope of TAS/TFRS if there are no specific arrangement made by the BRSA. The aforementioned accounting policies are coherent with those applied in financial statements prepared related to accounting period ending on 31 December 2015 except for the amendment which is explained under "Remarks regarding amendments in demonstration of financial statements and accounting policies".

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued):

The aforementioned accounting policies and valuation principles are explained between footnotes numbered II and XXVIII below. The new and amended TAS/TFRS provisions effective as of 1 January 2016 did not have a significant impact on the accounting policies, financial position and performance of the Bank TAS/TFRS amendments, published but not entered into force as of effective date of financial statements changes, (extracted TAS 9 financial instruments standard version of 2011) shall not have a significant impact on the accounting policies, financial position and performance of the Bank. The Bank evaluates the effect of financial insturments according to the TFRS 9 standard.

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

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

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

The Bank recognized its associates, in which it has direct or indirect shares, according to equity method in accordance with the Communique having a permission to be applied earlier while preparing its 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 Yatırım Menkul Değerler A.Ş. and its subsidiaries which are Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai, and Burgan Finansal Kiralama A.Ş., whose shares are directly or indirectly owned by the Bank, are subsidiaries included in scope of full consolidation in consolidated financial statements and recognized according to equity method in seperate financial statements in accordance with the Communique.

ACCOUNTING POLICIES (Continued)

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

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

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

As of 31 December 2016, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,5192 and TL 3,7099 and TL for USD and EURO respectively.

If the functional currency of the Group is different from its reporting currency, all assets and liabilities in the reporting currency are translated using the foreign exchange rate at the balance sheet date, and the income and expenses in the income statement are translated using the average foreign exchange rate, which is the cumulative effect , In which case the income and expenses are translated at the exchange rates prevailing at the date of the transaction) and the resulting foreign currency translation differences are presented as a separate item under equity. The currency of any of them 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 TAS27 Separate Financial Statements Communique in unconsolidated financial statements. Associates, which were recognized with cost value in the unconsolidated financial statement previously, are recognized according to equity method as of 31 December 2015 along with the year-end of 2015.

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

The Bank has no joint ventures as of 31 December 2016 and 31 December 2015.

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

As of 31 December 2016, The Parent Bank applies cash flow hedge accounting through cross and interest currency swaps to protect against changing in interest rate of FC deposit that is the average maturity of up to 3 months. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

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

ACCOUNTING POLICIES (Continued)

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

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

VII. EXPLANATIONS ON FINANCIAL ASSETS:

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

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

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

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

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

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

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS(Continued):

b. Held-to-maturity financial assets:

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

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

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

c. Loans and receivables:

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

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

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

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

d. Available-for-sale financial assets:

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

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

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

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

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

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

ACCOUNTING POLICIES (Continued)

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

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

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

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

Assets held-for-resale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2006, No.26333.

The Bank has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill

As of 31 December 2016, the Bank has no goodwill (31 December 2015: None).

b. Other intangible assets

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

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

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	5-50%

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated "Recoverable amount", it is written down to its "Recoverable amount" and the provision for the diminution in value is charged to the income statement.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the "lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset. The Bank has implemented the "revaluation method" in accordance with the "Communiqué Regarding the Principles and Procedures for the Tangible Assets ("TAS 16")" while revaluating the buildings.

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.

ACCOUNTING POLICIES (Continued)

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities except for the specific and general provisions recognised for loans and other receivables are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a "Contingent" liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet.

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Bank has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Income and Expense Items Accounted in Equity" and presented in "Other Reserves" item in the Shareholders Equity section.

ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

Many clauses of Corporate Tax Law No.5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% for 2016 (2015: 20%). The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five 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.

ACCOUNTING POLICIES (Continued)

XIX. EXPLANATIONS ON BORROWINGS:

The Bank's fund resources in essence consist of borrowing from foreign financial institutions, issued securities and money market debt.

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" using the effective interest method.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Bank.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Transaction costs regarding the issuance of share certificates are accounted under shareholders' equity after eliminating the tax effects.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the "Off-balance sheet commitments".

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2016, the Bank has no government grants (31 December 2015: 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.

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

ACCOUNTING POLICIES (Continued)

XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	31 December 2016	31 December 2015
Net Income / (Loss) to be Appropriated to Ordinary Shareholders	71.673	52.169
Weighted Average Number of Issued Ordinary Shares (Thousand)	90.000.000	90.000.000
Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)	**0,796**	**0,580**

Based on the Principal Agreement, the Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect to bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

XXV. EXPLANATIONS ON RELATED PARTIES:

Parties defined in Article 49 of the Banking Law No.5411, Bank's senior management and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note V of Section Five.

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

Operational field is distinguishable section of the Bank that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note VIII in Section Four.

XXVIII. RECLASSIFICATIONS:

None.

(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 2016 Bank's total capital has been calculated as TL 2.153.868, Capital adequacy ratio is 17,66%. As of 31 December 2015, Bank's total capital amounted to TL 1.468.393, Capital adequacy ratio was 15,97% calculated pursuant to former regulations.

a. Information about total capital:

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	93.273	
Gains recognized in equity as per TAS	39.053	
Profit	71.673	
Current Period Profit	71.673	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	**1.103.999**	
Deductions from Common Equity Tier 1 Capital	**-**	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	11.441	
Improvement costs for operating leasing	15.454	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	27.682	46.136
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	21.915	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provison	-	
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	**76.492**	
Total Common Equity Tier 1 Capital	**1.027.507**	

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

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

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

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Eguity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	18.454	
Net deferred tax asset/liability which is not deducted from Common Eguity 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)	**1.009.053**	
TIER II CAPITAL	-	
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	1.055.760	
Provisions (Article 8 of the Regulation on the Equity of Banks)	90.245	
Tier II Capital Before Deductions	**1.146.005**	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	835	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	**835**	
Total Tier II Capital	**1.145.170**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**2.154.223**	
Deductions from Total Capital	**552**	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	552	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Eguity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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

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

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	2.153.671	
Total risk weighted amounts	12.193.141	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	8,43	
Tier 1 Capital Adequacy Ratio	8,28	
Capital Adequacy Ratio	17,66	
BUFFERS		
Total buffer requirement	0,625	
Capital conservation buffer requirement	0,625	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	3,93	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	15.650	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	90.245	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	90.245	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	
Upper limit for Additional Tier I Capital subjected to temprorary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temprorary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary Article 4	-	

(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):

Prior Period:

CORE CAPITAL	**31 December 2015 (**)**
	900.000
Paid-in capital following all debts in terms of claim in case of the Bank's litigation	-
Share premium	-
Share cancellation profits	87.389
Reserves	24.338
Gains recognized in equity as per TAS	52.169
Profit	52.169
Current Year Income	-
Prior Years Income	-
Provisions for possible risks	-
Bonus Shares from Investment in Associates, Subsidiaries and Joint Ventures that are not reconized in profit	**1.063.896**
Seed Capital BeforeDeductions	
Deductions From Seed Capital	51.394
Portion of the sum of net loss for the period and accumulated losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-).	14.972
Leasehold improvements (-)	16.923
Goodwill or other intangible assets and deferred tax liability related to these items (-)	-
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th article of the Law (-)	-
Direct and indirect investments in the seed capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% or more of the seed capital of the bank (-).	-
Portion of the total of net long positions of investment made in seed capital elements of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Portion of offering mortgage service rights exceeding 10% of the seed capital (-).	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the seed capital (-).	-
Amount exceeding 15% of the seed capital pursuant to Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion the total of net long positions of investment made in seed capital elements of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Exceeding amount resulting from offering mortgage service rights (-).	-
Exceeding amount resulting from deferred tax assets based on temporary differences (-).	-
Other items defined by BRSA (-)	-
Amount to be discounted from the seed capital in the case that adequate additional principal capital or supplementary capital is not available (-)	**83.289**
Total Deductions From Seed Capital	**980.607**
Total Seed Capital	
ADDITIONAL CORE CAPITAL	-
Capital amount and related premiums corresponding to preference shares that are not included to seed capital	-
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied after 1.1.2015)	-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2015)	**-**
Additional Core Capital before Deductions	**-**
DEDUCTIONS FROM ADDITIONAL CORE CAPITAL	-
Direct and indirect investments in the additional core capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Portion of the total of net long positions of investment made in additional principal capital and supplementary capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-)	-
Other items defined by BRSA (-) Amount to be discounted from the additional principal capital in the case that adequate supplementary capital is not available (-)	-
Total Deductions From Additional Core Capital	**-**
Total Additional Core Capital	**-**
DEDUCTIONS FROM CORE CAPITAL	
Portion of goodwill and other intangible assets and the deferred tax liabilities related to these which is not discounted from the seed capital pursuant to paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	25.384
Portion of net deferred tax assets/liabilities which is not discounted from the seed capital pursuant to paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Total Core Capital	955.223
SUPPLEMENTARY CAPITAL	
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied after 1.1.2015)	-
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied before 1.1.2015) (*)	436.237
Sources pledged to the bank by shareholders to be used in capital increases of the bank	-
General Provisions	77.497
Supplementary Capital Before Deductions	**513.734**
DEDUCTIONS FROM SUPPLEMENTARY CAPITAL	
Direct and indirect investments in the supplementary capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Portion of the total of net long positions of investment made in additional principal capital and supplementary capital elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Other items defined by BRSA (-)	-
Total Deductions From Supplementary Capital	**-**
Total Supplementary Capital	**513.734**
DEDUCTIONS FROM CAPITAL	
Loans granted contrary to the 50th and 51th article of the Law (-)	-
Net book value of amounts exceeding the limit mentioned in paragraph one of article 57 of the Code and property and real property acquired by the banks because of their receivables which could not be disposed of even though five years have passed since the date of their acquisition pursuant to the same article (-)	341
Loans given to banks and financial institutions, including those established abroad, and to eligible shareholders of the bank, and investments made in the borrowing instruments exported by them (-).	223
Amount to be discounted from equity in accordance with paragraph two of article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-).	-
Other items defined by BRSA (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank which is not discounted from the additional principal capital and supplementary capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of investment made directly or indirectly in additional principal capital or supplementary capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated which is not discounted from the additional principal capital and supplementary capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of investment made in seed capital elements, deferred tax assets based on temporary differences and offering mortgage service rights of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated to be discounted from the seed capital pursuant to subparagraphs (1) and (2) of paragraph 2 of the Provisional Article 2 of the Regulation on the Equity of Banks which is not discounted from the seed capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation (-)	-
EQUITY	**1.468.393**
Amounts Below the Exceeding Limits in the Discount Principles	
Amounts resulting from the net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated	-
Amounts resulting from the net long positions of investment made in seed capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated	-
Amount resulting from offering mortgage service rights	-
Amount resulting from deferred tax assets based on temporary differences	12.640

(*)The subordinated loan used in the Equity account in accordance with the permission of the Banking Regulation and Supervision Agency dated 2 December 2013 possesses the nature stated in article 8 of the Regulation on the Equity of Banks which took effect on 1 January 2014. TL 1.478 thousand of this amount recognized by deduction from the subordinated loans consists of cash loans provided to the risk group in which the bank is included.

(**)Shareholders equity calculation is revised according to the regulation valid as of 31 March 2016 entitled "Regulation for changing the banks equity code of conduct". Therefore the information of the previous term is calculated based on the abrogated adjustments.

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

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

I. EXPLANATIONS ON EQUITY (Continued):

b. Information on instruments related to equity estimation

Details on Subordinated Liabilities		
Issuer	Burgan Bank K.P.S.C	Burgan Bank K.P.S.C
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No
Eligible at stand-alone / concolidated	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)	527.880	527.880
Par value of instrument (USD)	150.000	150.000
Accounting classification	Liability-Subordinated Loans-amortised cost	Liability-Subordinated Loans-amortised cost
Original date of issuance	6 December 2013	30 March 2016
Perpetual or dated	Dated	Dated
Original maturity date	10 Years	10 Years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends	3 Months	3 Months
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	LIBOR+3,75	LIBOR+3,75
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature	None	None
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
In compliance with article number 7 and 8 of "Own fund regulation"	None	None
Details of incompliances with article number 7 and 8 of "Own fund regulation"	None	None

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

II. EXPLANATIONS ON CREDIT RISK:

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

In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the rating procedures. Main criteria are geographical and sectoral concentrations. The sectoral concentrations for loans are monitored closely in accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored on a regular basis.

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

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

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

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

The loans are considered as impaired receivables after 90 days delay from the reporting period or the decision of the bank that the debtor loses its credibility. According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves," group II loans and 90 day-delayed loans are considered as non-performing loan and general provision is allocated.

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

Risk Group	Amount	Average
Claims on sovereigns and Central Banks	2.005.240	1.770.435
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	1.000	261
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	1.117.758	846.419
Claims on corporates	8.655.696	7.651.435
Claims included in the regulatory retail portfolios	251.694	240.268
Claims secured by residential property	3.811.471	3.125.429
Past due loans	111.799	103.098
Higher risk categories decided by the Board	-	11.807
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	625.047	612.351
Total	**16.579.705**	**14.361.503**

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

In forward transactions no type of coercive action outside of the other party's consent is taken. Indemnified non-cash credits are subjected to the same risk weight as the credits which are past due date.

With regard to the credits renewed and re-structured with a new payment plan by the 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.

(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 levelcredit 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 67%, 77% (31 December 2015: 61% and 71%) 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 49%, 63% (31 December 2015: 38% and 53%) within the total non-cash loans portfolio.

In the current period, the share of the Bank's receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 64%, 75% (31 December 2015: 57% and 68%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2016, the Bank's general provision for loans amounting to TL 90.245 (31 December 2015: TL 77.497).

a. Information on types of loans and specific provisions:

31 December 2016	**Corporate**	**Consumer**	**Credit Cards**	**Factoring Receivables**	**Total**
Standard Loans	9.654.645	237.324	4.824	8	9.896.801
Loans under close monitoring	657.589	17.740	779	819	676.927
Non-performing loans	225.038	3.138	1.234	1.807	231.217
Specific provision (-)	116.147	1.370	1.045	856	119.418
Total	**10.421.125**	**256.832**	**5.792**	**1.778**	**10.685.527**

31 December 2015	**Corporate**	**Consumer**	**Credit Cards**	**Factoring Receivables**	**Total**
Standard Loans	7.457.555	127.961	8.617	6	7.594.139
Loans under close monitoring	488.655	10.561	1.484	1.667	502.367
Non-performing loans	204.918	3.343	2.044	-	210.305
Specific provision (-)	114.136	3.339	1.571	11	119.057
Total	**8.036.992**	**138.526**	**10.574**	**1.662**	**8.187.754**

(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 2016	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	645.201	19.105	779	819	665.904
Past due 30-60 days	20.270	6.236	-	-	26.506
Past due 60-90 days	28.079	2.369	-	-	30.448
Total	**693.550**	**27.710**	**779**	**819**	**722.858**

31 December 2015	Corporate	Consumer	Credit Cards	Factoring Receivables	Total
Past due 0-30 days	468.387	10.274	1.497	1.667	481.825
Past due 30-60 days	23.318	3.259	120	-	26.697
Past due 60-90 days	14.822	2.129	34	-	16.985
Total	**506.527**	**15.662**	**1.651**	**1.667**	**525.507**

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

31 December 2016 Moody's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Baa1(*)	12.815	508.745	161.607	681.748
Total	**12.815**	**508.745**	**161.607**	**681.748**

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

31 December 2015 Moody's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Baa3(*)	9.832	638.915	-	648.747
Total	**9.832**	**638.915**	**-**	**648.747**

(*) Consists of Turkish Republic government bonds and treasury bills.

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 2016	31 December 2015
Above average (%)	8,19	10,76
Average (%)	65,63	65,30
Below average (%)	24,11	22,56
Not rated (%)	2,06	1,38

(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 2016	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	271.606	9.398	88	-	281.092
Non-performing loans	97.476	1.097	213	1.268	100.054
Total	**369.082**	**10.495**	**301**	**1.268**	**381.146**

31 December 2015	Corporate Loans	Consumer Loans	Credit Cards	Factoring Receivables	Total
Loans under close monitoring	325.021	3.986	494	1.691	331.192
Non-performing loans	88.943	6	384	1.793	91.126
Total	**413.964**	**3.992**	**878**	**3.484**	**422.318**

Type of Collaterals	31 December 2016	31 December 2015
Real-estate mortgage	364.353	309.795
Pledge	12.917	93.142
Cash and cash equivalents	3.876	19.381
Total	**381.146**	**422.318**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
31 December 2016																		
Domestic	2.023.524	-	952	-	-	455.449	7.776.340	196.496	3.759.132	111.799	-	-	-	-	-	-	469.329	14.793.021
EU Countries	-	-	-	-	-	597.915	260	37	1	-	-	-	-	-	-	-	-	598.213
OECD Countries (**)	-	-	-	-	-	673	-	-	-	-	-	-	-	-	-	-	-	673
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	4.829	1	2	-	-	-	-	-	-	-	-	-	4.832
Other Countries	-	-	-	-	-	1.245	131	15	-	-	-	-	-	-	-	-	-	1.391
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2.023.524**	**-**	**952**	**-**	**-**	**1.060.111**	**7.776.732**	**196.550**	**3.759.133**	**111.799**	**-**	**-**	**-**	**-**	**-**	**-**	**469.329**	**15.398.130**

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

(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 2015																	
Domestic	1.753.400	-	6	-	-	235.053	5.821.286	170.644	2.928.925	91.248	70.372	-	-	-	-	422.220	11.493.154
EU Countries	-	-	-	-	-	434.453	5.735	98	-	-	26	-	-	-	-	-	440.312
OECD Countries (**)	-	-	-	-	-	9.027	-	-	-	-	-	-	-	-	-	-	9.027
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	95.828	-	12	-	-	-	-	-	-	-	-	95.840
Other Countries	-	-	-	-	-	1.204	3.205	32	1.392	-	-	-	-	-	-	-	5.833
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1.753.400**	**-**	**6**	**-**	**-**	**775.565**	**5.830.226**	**170.786**	**2.930.317**	**91.248**	**70.398**	**-**	**-**	**-**	**-**	**422.220**	**12.044.166**

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

(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.

(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 andcounterparties:

	Exposure Categories (*)																	TL		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		FC	Total
Agriculture	-	-	-	-	-	-	33.594	1.053	7.645	3.783	-	-	-	-	-	-	-	31.675	14.400	46.075
Farming and Stockbreeding	-	-	-	-	-	-	23.213	740	2.519	3.783	-	-	-	-	-	-	-	22.069	8.186	30.255
Forestry	-	-	-	-	-	-	33	-	119	-	-	-	-	-	-	-	-	152	-	152
Fishery	-	-	-	-	-	-	10.348	313	5.007	-	-	-	-	-	-	-	-	9.454	6.214	15.668
Manufacturing	-	-	5	-	-	-	2.567.569	16.623	709.921	47.118	-	-	-	-	-	-	-	1.029.093	2.312.143	3.341.236
Mining and Quarrying	-	-	5	-	-	-	269.249	449	77.171	5.746	-	-	-	-	-	-	-	107.179	245.441	352.620
Production	-	-	-	-	-	-	1.785.771	16.159	601.851	41.274	-	-	-	-	-	-	-	897.456	1.547.599	2.445.055
Electricity, Gas and Water	-	-	-	-	-	-	512.549	15	30.899	98	-	-	-	-	-	-	-	24.458	519.103	543.561
Construction	-	-	-	-	-	-	2.239.004	7.134	1.458.525	15.441	-	-	-	-	-	-	-	1.131.709	2.588.395	3.720.104
Services	-	-	1	-	-	1.060.111	2.750.841	20.231	1.485.578	43.333	-	-	-	-	-	-	-	1.716.551	3.643.544	5.360.095
Wholesale and Retail Trade	-	-	-	-	-	-	1.077.484	13.995	447.204	31.111	-	-	-	-	-	-	-	662.886	906.908	1.569.794
Hotel, Food and Beverage services	-	-	-	-	-	-	218.729	1.052	671.635	2.638	-	-	-	-	-	-	-	54.845	839.209	894.054
Transportation and Telecom	-	-	-	-	-	-	272.089	1.296	147.463	1.472	-	-	-	-	-	-	-	171.076	251.244	422.320
Financial Institutions	-	-	-	-	-	1.060.111	727.752	657	42.093	-	-	-	-	-	-	-	-	748.663	1.081.950	1.830.613
Real Estate and Rental Services	-	-	-	-	-	-	388.695	977	153.117	979	-	-	-	-	-	-	-	28.211	515.557	543.768
Self-employment Services	-	-	-	-	-	-	6.542	475	5.923	1.427	-	-	-	-	-	-	-	13.863	504	14.367
Educational Services	-	-	1	-	-	-	10.745	362	453	3.693	-	-	-	-	-	-	-	5.673	9.581	15.254
Health and Social Services	-	-	-	-	-	-	48.805	1.417	17.690	2.013	-	-	-	-	-	-	-	31.334	38.591	69.925
Other	2.023.524	-	946	-	-	-	185.724	151.509	97.464	2.124	-	-	-	-	-	-	469.329	1.446.108	1.484.512	2.930.620
Total	**2.023.524**	**-**	**952**	**-**	**-**	**1.060.111**	**7.776.732**	**196.550**	**3.759.133**	**111.799**	**-**	**-**	**-**	**-**	**-**	**-**	**469.329**	**5.355.136**	**10.042.994**	**15.398.130**

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

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

(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:

	Term To Maturity				
Risk classifications	**1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**Over 1 Year**
Claims on sovereigns and Central Banks	120.437	30.531	60.525	63.611	456.404
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	300	652	-	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	512.654	163.196	97.854	4.618	265.399
Claims on corporates	1.455.830	691.625	888.928	1.016.682	3.723.668
Claims included in the regulatory retail portfolios	23.632	6.632	9.324	21.913	135.049
Claims secured by residential property	143.423	90.011	126.755	208.150	3.190.793
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	**2.256.276**	**982.647**	**1.183.386**	**1.314.974**	**7.771.313**

i. Information about the risk exposure categories:

As explained in the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks," abovementioned receivables are calculated via third party ratings. Receivables from central governments or central banks are calculated according to the OECD's published country risks. OECD classification is used to determine the risk weights set by the regulations. When a receivable is not provided a grading, the Bank complies with the rules under the regulations.

j. Exposures by risk weights:

Risk Weights	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Deductions from Equity**
1.Exposures before Credit Risk Mitigation	635.756	304.496	525.856	4.761.384	197.678	8.961.190	11.771	552
2. Exposures after Credit Risks Mitigation(*)	1.034.697	345.950	523.511	4.504.251	185.819	8.792.132	11.771	552

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

Major Sectors / Counterparties	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	**6.362**	**6.370**	**60**	**2.579**
Farming and Stockbreeding	5.774	5.211	49	1.991
Forestry	532	131	1	532
Fishery	56	1.028	10	56
Manufacturing	**99.310**	**259.449**	**2.558**	**52.192**
Mining and Quarrying	17.380	7.108	55	11.634
Production	81.733	252.341	2.503	40.459
Electricity, Gas and Water	197	-	-	99
Construction	**37.385**	**193.757**	**1.753**	**21.944**
Services	**82.288**	**228.013**	**2.197**	**38.955**
Wholesale and Retail Trade	64.789	69.993	639	33.678
Accommodation and Dining	3.396	130.146	1.301	758
Transportation and Telecom	2.838	9.957	81	1.366
Financial Institutions	15	2.000	20	15
Real Estate and Rental Services	1.492	4.925	49	513
Professional Services	1.913	1.155	9	486
Educational Services	4.978	526	5	1.285
Health and Social Services	2.867	9.311	93	854
Other	**5.872**	**35.269**	**500**	**3.748**
Total	**231.217**	**722.858**	**7.068**	**119.418**

l. Information about Value Adjustment and Change in Provisions:

	Opening Balance	Provision for Period	Write off from Asset	Other Adjustments(*)	Closing Balance
1. Specific Provisions (**)	150.126	101.623	(39.288)	(62.920)	149.541
2. General Provisions	77.497	9.378	(2.221)	5.591	90.245

(*)The amount of TL 69.445 shown in the other adjustments column is composed of the amount of the provision related to the following loans which are actively canceled by selling to Mega Varlık Yönetim AS on 28 June 2016. The other adjustment column for the remaining amounts consists of exchange rate differences of free and general allowance amounts, which are set as foreign currency.

(**)Specific allowance amounts and free allowance amounts that the Bank classifies as non-performing loans, non-compensated non-cash loans are included.

m. Risks Included in Cyclical Capital Buffer Calculation :

None.

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.

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

III. EXPLANATIONS ON RISK MANAGEMENT:

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

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

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

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT:

4. Main components and scope of Risk measurement systems:

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

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

Basic Indicator Approach is used in order to determine capital requirement required for operational risk in accordance with legislations of BRSA. The Bank 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.

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

III. EXPLANATIONS ON RISK MANAGEMENT:

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 distruption 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.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

b. Overview of RWA

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of the date 31 December 2016:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	**Prior Period**	**Current Period**
		31 December 2016	**31 December 2015**	**31 December 2016**
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	11.245.475	8.574.564	899.638
2	Standardised approach (SA)	11.245.475	8.574.564	899.638
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	296.569	32.911	23.725
5	Standardised approach for counterparty credit risk (SA-CCR)	296.569	32.911	23.725
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	99.079	147.713	7.926
17	Standardised approach (SA)	99.079	147.713	7.926
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	552.019	442.050	44.162
20	Basic indicator approach	552.019	442.050	44.162
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)**	**12.193.142**	**9.197.238**	**975.451**

(*)Rating marks given by Fitch Rating International Rating Institution have been used benefiting from Bankscope system in order to identify risk weighted asset class for Receivables from Banks and Intermediaries whose counterparty is located abroad and for the whole risk class of Receivables from Central Managements or Central Banks from the risk class mentioned in article 6 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks in current period. Banks and intermediaries, whose counterparties are located domestically are deemed as not rated.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

c. Linkages between financial statements and risk amounts

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

			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	1.318.861	1.318.861	-	-	-	-
Trading Financial Assets	124.839	-	111.189	-	104.816	835
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	239.658	239.658	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	515.594	515.594	295.810	-	-	-
Loans and Receivables	10.684.700	10.684.700	-	-	-	-
Factoring Receivables	827	827	-	-	-	-
Held-to-maturity investments (net)	161.607	161.607	161.607	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	237.171	237.171	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	181.017	-	181.017	-	-	-
Property And Equipment (Net)	58.999	43.545	-	-	-	15.454
Intangible Assets (Net)	46.352	-	-	-	-	46.352
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	1.463	1.463	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.165	44.613	-	-	-	552
Other Assets	105.363	105.363	-	-	-	-
Total assets	**13.721.616**	**13.353.402**	**749.623**	**-**	**104.816**	**63.193**
Liabilities						
Deposits	8.309.833	-	-	-	-	8.309.833
Derivative Financial Liabilities Held for Trading	166.902	-	147.927	-	89.027	18.975
Funds Borrowed	2.206.719	-	-	-	-	2.206.719
Money Markets	397.510	-	393.008	-	-	4.502
Marketable Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	202.930	-	-	-	-	202.930
Other Liabilities	67.273	-	-	-	-	67.273
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	29.486	-	-	-	-	29.486
Provisions	153.689	-	-	-	-	153.689
Tax Liability	37.238	-	-	-	-	37.238
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	1.057.478	-	-	-	-	1.057.478
Shareholder's Equity	1.092.558	-	-	-	-	1.092.558
Total liabilities	**13.721.616**	**-**	**540.935**	**-**	**89.027**	**13.180.681**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

		Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	14.207.841	13.353.402	-	749.623	104.816
2	Liabilities carrying value amount under regulatory scope of consolidation	(629.962)	-	-	(540.935)	(89.027)
3	Total net amount under regulatory scope of consolic	13.577.879	13.353.402	-	208.688	15.789
4	Off-Balance Sheet Amounts	1.277.664	1.277.664	-	-	-
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	641.667	-	-	558.377	83.290
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	15.497.210	14.631.066	-	767.065	99.079

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

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

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

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

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

d. Credit Risk Disclosures

1. General Qualitative Information on Credit Risk

i. Conversion of Group's business model to components of credit risk profile

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

- To make principal amount calculations subject to legal credit risk in the framework of determined rules by related regulations of BRSA and to monitor up-to-dateness of application used in this scope,
- To report results of analysis related to risk definition, measurement, analysis, monitoring and portfolio subject to in/off balance sheet credit risks to senior management in scope of Credit Risk Policy approved by Board of Directors and related application principles,
- To support development of rating/score card models for corporate, commercial and retail credits, to monitor their performances and to participate/coordinate their validation studies,
- To perform credit risk stress test, reverse stress test and scenario analysis determined through related regulations of BRSA and approved by Board of Directors and to share respective results with Risk Coordination Committee, senior management, Audit Committee, Board of Directors Risk Committee and Board of Directors,
- To make probability of default (PD), loss given default (LGD) and residual risk calculations based on internal rating models and share opinion and recommendations for the establishment of infra-structure for aforementioned calculations,
- To analyse credits portfolio through applying stress test, reverse stress test and scenario analysis, if required, for credit risk management,
- To monitor, report risk appetite limits determined in Credit Risk Policy periodically and share opinion and recommendations in revision of risk appetite limits,
- To share recommendations developed for stress test and scenario analysis in order to be presented to Board of Directors, with Risk Coordination Committee and Risk Committee.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

Managers of Risk Management Group, Internal Control Departmant, 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.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Credit quality of assets

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**		
1	Loans	231.217	10.573.728	206.861	10.598.084
2	Debt Securities	-	684.002	770	683.232
3	Off-balance sheet exposures	18.806	2.443.788	5.370	2.457.224
4	**Total**	**250.023**	**13.701.518**	**213.001**	**13.738.540**

3. Changes in stock of defaulted loans and debt securities

1	**Defaulted loans and debt securities at the end of the previous reporting period**	**229.152**
2	Loans and debt securities that have defaulted since the last reporting period	149.545
3	Returned to non-defaulted status	-
4	Amounts written off	70.950
5	Other changes	(57.724)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**250.023**

4. Additional disclosures related to credit quality of assets:

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

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

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

None.

iii. Descriptions of methods used while determining provision amounts:

Specific provision amounts are determined in accordance with "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and collaterals are also based on rated mentioned in aforementioned Communique.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

iv. Descriptions of restructured receivables:

Credits and other receivables can be restructured, through providing additional credit, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency in accordance with Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation").

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

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

	31 December 2016	Total
1	Domestic	12.598.150
2	European Union Countries	67.977
3	OECD Countries **	-
4	Off-shore Banking Regions	-
5	USA, Canada	-
6	Other Countries	1.636
7	Associates, Subsidiaries and Jointly Controlled Entities	-
8	Unallocated Assets / Liabilities***	-
9	Total	12.667.763

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

	31 December 2016	Total
1	**Agriculture**	**52.055**
2	Farming and Stockbreeding	36.179
3	Forestry	131
4	Fishery	15.745
5	**Manufacturing**	**3.585.740**
6	Mining and Quarrying	467.344
7	Production	2.569.386
8	Electricity, Gas and Water	549.010
9	**Construction**	**3.991.095**
10	**Services**	**4.611.671**
11	Wholesale and Retail Trade	1.656.798
12	Accommodation and Dining	898.927
13	Transportation and Telecom	432.348
14	Financial Institutions	961.469
15	Real Estate and Rental Services	555.574
16	Professional Services	17.027
17	Educational Services	15.697
18	Health and Social Services	73.831
19	Other	427.202
20	**Total**	**12.667.763**

(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 2016	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
Cash and Non-cash Loans	2.379.455	1.863.661	2.448.770	4.615.011	1.249.067	111.799	12.667.763

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

Geographical and sectoral breakdowns of Impaired and overdue receivables and provisions made for those receivables and value adjustments are included in IV. Part II.k section and all amounts included in this table are domestic. Provision amount written-off from assets is TL 69.445 during the period and aforementioned amount belongs to domestic receivables. 40% of amounts written-off from assets are related to wholesale and retail trade, 34% of amounts are related to production industry and 20% of amounts are related to other sectors.

	31 December 2016	Non Performing Loan	Special Provision
1	**Agriculture**	**6.362**	**2.579**
2	Farming and Stockbreeding	5.774	1.991
3	Forestry	532	532
4	Fishery	56	56
5	**Manufacturing**	**99.310**	**52.192**
6	Mining and Quarrying	17.380	11.634
7	Production	81.733	40.459
8	Electricity, Gas and Water	197	99
9	**Construction**	**37.385**	**21.944**
10	**Services**	**82.288**	**38.955**
11	Wholesale and Retail Trade	64.789	33.678
12	Accommodation and Dining	3.396	758
13	Transportation and Telecom	2.838	1.366
14	Financial Institutions	15	15
15	Real Estate and Rental Services	1.492	513
16	Professional Services	1.913	486
17	Educational Services	4.978	1.285
18	Health and Social Services	2.867	854
19	Other	**5.872**	**3.748**
20	**Total**	**231.217**	**119.418**

vii. Ageing analysis for overdue receivables.

Ageing analysis for overdue receivables are included in IV. Part II.b section.

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

Specific and general provision are made for restructured receivables and free provision is made for miscellaneous risks, if required, in scope of Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and there is no situation in which no provision is made.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

e. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

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

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

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

2. Credit risk mitigation techniques

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	6.758.520	3.839.564	2.820.594	1.470	1.470	-	-
2	Debt securities	683.232	-	-	-	-	-	-
3	**Total**	**7.441.752**	**3.839.564**	**2.820.594**	**1.470**	**1.470**	**-**	**-**
4	Of which defaulted	127.266	-	-	-	-	-	-

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

f. Credit Risk if the Standard Approach is used

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

Credit Risk if the Standard Approach is used

Bank uses grades of Fitch Credit Rating institution in credit risk standard approach calculations.

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

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

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

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

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	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	1.886.265	-	1.904.549	-	705.694	37,1%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	626	60	626	12	638	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	384.477	169.118	386.136	109.810	275.661	55,6%
7	Exposures to corporates	6.659.803	1.912.556	6.644.743	1.048.653	7.270.385	94,5%
8	Retail exposures	175.019	76.399	173.977	22.298	139.494	71,1%
9	Exposures secured by residential property	514.092	30.645	513.640	11.599	183.291	34,9%
10	Exposures secured by commercial real estate	3.205.877	60.857	3.205.827	28.066	2.120.756	65,6%
11	Past-due loans	111.799	-	111.799	-	107.070	95,8%
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	415.444	209.603	415.413	53.918	442.486	94,3%
17	Equity Invesment	-	-	-	-	-	-
18	**Total**	**13.353.402**	**2.459.238**	**13.356.710**	**1.274.356**	**11.245.475**	**76,9%**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

	Asset classes/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	493.161	-	-	-	1.411.388	-	-	-	-	1.904.549
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	638	-	-	638
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	20.917	-	407.102	-	67.927	-	-	495.946
7	Exposures to corporates	88.727	-	255.786	-	261.084	-	7.086.025	1.774	-	7.693.396
8	Retail exposures	9.046	-	1.686	-	-	185.543	-	-	-	196.275
9	Exposures secured by residential property	1.418	-	310	523.511	-	-	-	-	-	525.239
10	Exposures secured by commercial real estate	22.985	-	3.276	-	2.175.063	-	1.032.569	-	-	3.233.893
11	Past-due loans	-	-	-	-	19.453	-	82.349	9.997	-	111.799
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	26.845	-	-	-	-	-	442.486	-	-	469.331
18	**Total**	**642.182**	**-**	**281.975**	**523.511**	**4.274.090**	**185.543**	**8.711.994**	**11.771**	**-**	**14.631.066**

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

g. Disclosures regarding Counterparty Credit Risk

1. Qualitative Disclosures on Counterparty Credit Risk

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

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

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

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

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

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

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

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

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

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

iv. Rules with respect to Counter-trend risk

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

	Current Period	**Revaluation Cost**	**Potential credit risk exposure**	**EEPE**	**Alpha used for computing regulatory EAD**	**Exposure after credit risk mitigation**	**Risk Weighted Amounts**
1	Standart Approach-CCR						
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation					767.065	345.018
4	Comprehensive Method for Credit Risk Mitigation						
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	**Total**						**345.018**

3. Credit Valuation Adjustment (CVA) Capital Charge

		Exposure (After credit risk mitigation methods)	**Risk Weighted Amounts**
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-
3	All portfolios subject to Standardised CVA capital obligation	767.065	88.347
4	**Total amount of CVA capital adequacy**	**767.065**	**88.347**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Central governments and central banks receivables	118.975	-	-	-	-	-	-	-	118.975
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	314	-	-	314
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	273.489	-	63.975	226.699	-	-	-	-	564.163
Corporate receivables	51	-	-	3.462	-	79.824	-	-	83.337
Retail receivables	-	-	-	-	276	-	-	-	276
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	**392.515**	**-**	**63.975**	**230.161**	**276**	**80.138**	**-**	**-**	**767.065**

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

	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
Current Period	**Collaterals Taken**		**Collaterals Given**		**Collaterals Taken**	**Collaterals Given**
	Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash - Local Currency	-	-	-	-	207.303	-
Cash - Foreign Currenc	-	-	-	-	184.948	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bond	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**392.251**	**-**

6. Credit derivatives: None.

7. Risks to Central Counterparty: The Bank is not exposed to central counterparty credit risk on non-consolidated basis.

h . Securitization disclosures: None.

j. Disclosures on Market Risk

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

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

Early warning levels for limit usage are determined and the way, which shall be applied in case of an early warning or final limit excess, is stated clearly in Treasury Risk Parameters.
Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate, option vega limits and stoploss limits determined for trading portfolio.

2. Market risk under standardised approach

		Risk Weighted Asset
	Outright products	
1	Interest rate risk (general and specific)	62.600
2	Equity risk (general and specific)	-
3	Foreign exchange risk	36.116
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	363
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**99.079**

(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:

"Basic Indicator Approach" is utilized in operational risk calculation of the Bank. Principal amount subject to operational risk is calculated through using income of 2013, 2014 and 2015 of the Bank belonging to last 3 years via "Basic Indicator Approach" dated July 1, 2012 in accordance with "Communique on Measurement and Evaluation of Bank's Capital Adequacy" published on Official Gazette dated June 28, 2013 and numbered 28337.

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

	2 Prior Period Value	1 Prior Period	Current Period value	Total / Total number of years for which gross income	Rate (%)	Total
Gross Income	31.618	43.259	57.608	3	15	44.162
Amount subject to operational risk (Total*12,5)						552.019

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

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

V. EXPLANATIONS ON CURRENCY RISK:

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

A series of limits for the tenure of spot and forward foreign exchange positions is set in the risk parameters section of the budget approved by the Board of Directors annually. There is a conservative foreign currency position management policy in the Bank due to the free floating currency regime.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date:

	EUR		USD	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
31 December 2016/ 31 December 2015				
Bid rate	**TL 3,7099**	**TL 3,1838**	**TL 3,5192**	**TL 2,9181**
1. Day bid rate	TL 3,7099	TL 3,1838	TL 3,5192	TL 2,9181
2. Day bid rate	TL 3,6939	TL 3,1776	TL 3,5318	TL 2,9076
3. Day bid rate	TL 3,6901	TL 3,1921	TL 3,5329	TL 2,9084
4. Day bid rate	TL 3,6711	TL 3,2006	TL 3,5135	TL 2,9157
5. Day bid rate	TL 3,6639	TL 3,1904	TL 3,5041	TL 2,9123

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 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Arithmetic average-30 days	TL 3,6848	TL 3,1802	TL 3,4950	TL 2,9186

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

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

V. EXPLANATIONS ON CURRENCY RISK (Continued):
Information on currency risk of the Bank:

The Bank's real foreign currency position, both in financial and economic terms, is presented in the table below:

	EUR	USD	Other FC	Total
31 December 2016				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	5.417	1.150.828	1.366	1.157.611
Due From Banks	42.231	190.900	6.505	239.636
Financial Assets at Fair Value Through Profit or Loss (*)	27.486	19.893	926	48.305
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	168.612	-	168.612
Loans (*)	3.713.143	3.222.645	7.859	6.943.647
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	161.607	-	161.607
Hedging Derivative Financial Assets	138	4.345	-	4.483
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	47	49.510	-	49.557
Total Assets	**3.788.462**	**4.968.340**	**16.656**	**8.773.458**
Liabilities				
Bank Deposits	447	5.108	-	5.555
Foreign Currency Deposits	1.787.664	3.565.478	97.212	5.450.354
Funds From Interbank Money Market	-	185.428	-	185.428
Funds Borrowed From Other Financial Institutions	479.611	2.759.875	-	3.239.486
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	102.417	56.855	15	159.287
Hedging Derivative Financial Liabilities	1.551	407	-	1.958
Other Liabilities (*)	16.031	16.064	486	32.581
Total Liabilities	**2.387.721**	**6.589.215**	**97.713**	**9.074.649**
Net On-balance Sheet Position	**1.400.741**	**(1.620.875)**	**(81.057)**	**(301.191)**
Net Off-balance Sheet Position	**(1.357.925)**	**1.459.157**	**81.299**	**182.531**
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	2.086.936	72.216	4.558.573
Non-Cash Loans (**)	**464.496**	**736.527**	**46.516**	**1.247.539**
31 December 2015				
Total Assets (*)	2.493.236	4.191.622	39.760	6.724.618
Total Liabilities (*)	1.272.672	5.961.072	35.835	7.269.579
Net On-balance Sheet Position	**1.220.564**	**(1.769.450)**	**3.925**	**(544.961)**
Net Off-balance Sheet Position	**(1.214.624)**	**1.794.333**	**(2.978)**	**576.731**
Financial Derivative Assets	746.900	3.412.745	79.103	4.238.748
Financial Derivative Liabilities	1.961.524	1.618.412	82.081	3.662.017
Non-Cash Loans (**)	**320.947**	**570.585**	**20.951**	**912.483**

(*)The above table shows the Bank's foreign currency net position based on main currencies. Foreign currency indexed assets, classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. Due to this, foreign currency indexed loans amounting to TL 878.488 (31 December 2015: TL 784.445) classified as Turkish Lira assets in the 31 December 2016 financial statements are added to the table above; there is no foreign currency indexed loans received in the current period (31 December 2015: None). Besides this, in assets "Income Accruals of Derivative Financial Instruments" amounting to TL 3.769 (31 December 2015: TL 4.623), in liabilities "Expense Accruals of Derivative Financial Instruments" amounting to TL 9.622 (31 December 2015:TL 6.494), "General Provisions" amounting to TL 53.785 (31 December 2015:TL 38.816), free provision amounting to TL 19.721 (31 December 2015: TL 20.436) and "Marketable Securities Valuation Reserve" with " Hedging Derivative Financials" amounting to TL (5.014) (31 December 2015: TL (857)) are not included in the table above.
(**)Non-cash loans are not included in the total of "Net Off-Balance Sheet Position".

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

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

V. EXPLANATIONS ON CURRENCY RISK (Continued):

Currency risk sensitivity analysis:

If foreign currency appreciated/depreciated against TL at a ratio of 10% and all other variables remain fixed as of December 31, 2016 and 2015, 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 2016				31 December 2015			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	(16.172)	16.172	(16.673)	16.673	2.488	(2.488)	(2.403)	(2.403)
EUR	4.282	(4.282)	4.282	(4.282)	594	(594)	(594)	(594)
Other currency units	24	(24)	24	(24)	95	(95)	(95)	(95)
Total, net	**(11.866)**	**11.866**	**(12.367)**	**12.367**	**3.177**	**(3.177)**	**(3.092)**	**(3.092)**

(*) 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.

(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:

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 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.095.882	-	-	-	-	222.979	1.318.861
Due From Banks	223.269	-	-	-	-	16.389	239.658
Financial Assets at Fair Value Through Profit/Loss (*)	44.631	93.189	146.472	12.317	9.247	-	305.856
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	63.505	101.170	59.919	191.684	92.465	6.851	515.594
Loans	5.435.080	1.485.440	1.710.650	1.805.466	137.091	111.800	10.685.527
Held-to-Maturity Investments	-	-	-	74.975	86.632	-	161.607
Other Assets	-	-	-	-	-	494.513	493.247
Total Assets	**6.862.367**	**1.679.799**	**1.917.041**	**2.084.442**	**325.435**	**852.532**	**13.721.616**
Liabilities							
Bank Deposits	50.023	-	-	-	-	6.772	56.795
Other Deposits	5.203.829	2.167.616	424.968	280	-	456.345	8.253.038
Funds From Interbank Money Market	213.345	112.877	71.288	-	-	-	397.510
Miscellaneous Payables	-	-	-	-	-	202.930	202.930
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	227.567	2.478.988	554.963	2.679	-	-	3.264.197
Other Liabilities (*) (**)	86.728	28.840	39.219	40.056	1.545	1.350.758	1.547.146
Total Liabilities	**5.781.492**	**4.788.321**	**1.090.438**	**43.015**	**1.545**	**2.016.805**	**13.721.616**
Balance Sheet Long Position	**1.080.875**	**-**	**826.603**	**2.041.427**	**323.890**	**-**	**4.272.795**
Balance Sheet Short Position	**-**	**(3.108.522)**	**-**	**-**	**-**	**(1.164.273)**	**(4.272.795)**
Off-balance Sheet Long Position	434.252	120.005	668.007	-	-	-	1.222.264
Off-balance Sheet Short Position	-	-	-	(1.106.689)	(39.091)	-	(1.145.780)
Total Position	**1.515.127**	**(2.988.517)**	**1.494.610**	**934.738**	**284.799**	**(1.164.273)**	**76.484**

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 181.017 and other liabilities includes hedging derivative financial liabilities amounting to TL 29.486 classified to a related re-pricing periods.
(**)Shareholders' Equity is presented in Non Interest Bearing column.

(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 2015	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	1.013.000	-	-	-	-	81.072	1.094.072
Due From Banks	177.503	-	-	-	-	17.509	195.012
Financial Assets at Fair Value Through Profit/Loss	51.974	7.891	18.420	40.094	4.788	2.158	125.325
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	113.212	115.395	13.385	52.450	348.223	6.849	649.514
Loans	2.792.927	2.424.689	1.681.745	1.178.093	19.052	91.248	8.187.754
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	423.157	423.157
Total Assets	**4.148.616**	**2.547.975**	**1.713.550**	**1.270.637**	**372.063**	**621.993**	**10.674.834**
Liabilities							
Bank Deposits	43.249	-	-	-	-	7.097	50.346
Other Deposits	3.677.113	2.213.315	239.871	57.956	-	457.007	6.645.262
Funds From Interbank Money Market	395.786	-	-	-	-	-	395.786
Miscellaneous Payables	-	-	-	-	-	69.640	69.640
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	190.667	1.529.136	439.241	6.677	-	-	2.165.721
Other Liabilities (*)	65.665	7.316	17.041	1.731	-	1.256.326	1.348.079
Total Liabilities	**4.372.480**	**3.749.767**	**696.153**	**66.364**	**-**	**1.790.070**	**10.674.834**
Balance Sheet Long Position	**-**	**-**	**1.017.397**	**1.204.273**	**372.063**	**-**	**2.593.733**
Balance Sheet Short Position	**(223.864)**	**(1.201.792)**	**-**	**-**	**-**	**(1.168.077)**	**(2.593.733)**
Off-balance Sheet Long Position	-	-	-	30.119	-	-	30.119
Off-balance Sheet Short Position	(10.372)	(14.314)	(5.534)	-	-	-	(30.220)
Total Position	**(234.236)**	**(1.216.106)**	**1.011.863**	**1.234.392**	**372.063**	**(1.168.077)**	**(101)**

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

Interest rate sensitivity analysis :

Change in interest rate 31 December 2016	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(826)	(13.818)
(-) %1	890	13.818

Change in interest rate 31 December 2015	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(906)	(22.145)
(-) %1	921	22.145

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.

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

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

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

Below the average interest rates are calculated by weighting the simple rates with their principals.

31 December 2016	**EUR**	**USD**	**Yen**	**TL**
Assets	**%**	**%**	**%**	**%**
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,75	-	3,31
Due From Banks	0,01	0,55	-	-
Financial Assets at Fair Value Through Profit/Loss	4,79	7,90	-	9,09
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,42
Loans	4,91	6,29	-	15,17
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	-	-	8,16
Other Deposits (*)	1,95	3,28	-	11,00
Funds From Interbank Money Market	-	2,27	-	6,98
Miscellaneous Payables	-	-	-	11,25
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,54	3,77	-	6,67

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

31 December 2015	**EUR**	**USD**	**Yen**	**TL**
Assets	**%**	**%**	**%**	**%**
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,49	-	3,81
Due From Banks	-	0,36	-	10,90
Financial Assets at Fair Value Through Profit/Loss	-	5,75	-	9,41
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,86	-	9,39
Loans	4,96	5,84	-	15,56
Held-to-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	0,28	3,49	-	0,18
Other Deposits (*)	1,47	2,44	-	11,86
Funds From Interbank Money Market	-	1,46	-	6,38
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,51	3,00	-	6,68

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

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

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

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

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

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

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

2. The table below presents the economic value differences resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

Currency	**Applied Shock (+/- x basis point)**	**Earnings/ Losses**	**Earnings/ Equities-Losses/ Equities**
1. TRY	+500 bp	(70.676)	(3,3)%
2. TRY	-400 bp	64.903	3,0%
3. EURO	+200 bp	334	-
4. EURO	-200 bp	108	-
5. USD	+200 bp	(37.115)	(1,7)%
6. USD	-200 bp	33.130	1,5%
Total (For Negative Shocks)		**98.141**	**4,6%**
Total (For Positive Shocks)		**(107.457)**	**(5,0)%**

VII. EXPLANATIONS ON THE SHARE CERTIFICATE POSITION RISK:

None.

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

VIII. EXPLANATIONS ON LIQUIDITY RISK:

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.

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

VIII. EXPLANATIONS ON LIQUIDITY RISK (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.

(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 (Continued):

Liquidity Coverage Ratio:

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2016		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			**1.064.234**	**788.862**
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	4.882.177	2.716.517	462.514	271.652
3	Stable deposits	514.082	-	25.704	-
4	Less stable deposits	4.368.095	2.716.517	436.810	271.652
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.109.565	1.432.911	977.382	627.043
6	Operational deposits	879.826	674.920	219.956	168.730
7	Non-Operational Deposits	1.051.389	685.134	579.076	385.456
8	Other Unsecured Funding	178.350	72.857	178.350	72.857
9	Secured funding			22.034	22.034
10	Other Cash Outflows	54.806	157.262	54.806	157.262
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	54.806	157.262	54.806	157.262
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.098.544	1.115.552	237.544	131.016
16	**TOTAL CASH OUTFLOWS**			**1.754.280**	**1.209.005**
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	980.420	273.477	583.008	201.875
19	Other contractual cash inflows	15.110	147.582	15.110	147.582
20	**TOTAL CASH INFLOWS**	**995.530**	**421.059**	**598.118**	**349.457**
				Upper Bound Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**1.064.234**	**788.862**
22	**TOTAL NET CASH OUTFLOWS**			**1.156.162**	**859.549**
23	**Liquidity Coverage Ratio (%)**			**92,05**	**91,78**

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

(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 (Continued):

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2015		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			917.772	680.943
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	3.784.086	2.654.663	230.808	164.880
3	Stable deposits	2.952.020	2.011.728	147.601	100.586
4	Less stable deposits	832.066	642.935	83.207	64.294
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.177.569	1.655.223	1.068.793	798.427
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	1.915.553	1.483.155	807.073	626.359
8	Other Unsecured Funding	262.016	172.068	261.720	172.068
9	Secured funding			3.085	3.085
10	Other Cash Outflows	31.505	57.381	31.505	57.381
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	31.505	57.381	31.505	57.381
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	1.897.002	962.548	200.694	105.141
16	**TOTAL CASH OUTFLOWS**			**1.534.885**	**1.128.914**
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	773.401	214.207	442.982	154.250
19	Other contractual cash inflows	16.493	391.609	16.493	391.609
20	**TOTAL CASH INFLOWS**	**789.894**	**605.816**	**459.475**	**545.859**
				Upper Bound Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**917.772**	**680.943**
22	**TOTAL NET CASH OUTFLOWS**			**1.075.410**	**583.055**
23	**Liquidity Coverage Ratio (%)**			**85,34**	**116,79**

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

(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 (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 93% and securities issued by Undersecretariat of Treasury at a ratio of 18%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 18%, 51% and 9% respectively.

Fluctuations in foreign currency derivative transaction volumes, mainly in foreign currency swaps, can have an impact on foreign currency liquidity coverage rate although derivative transactions generate a lower level of net cash flow with respect to liquidity coverage rate.

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. Information regarding aforementioned cash outflow in 31 December 2016 are as follows:

	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
Date Range	**FC**	**FC + TL**
01 October 2016 – 31 December 2016	46.927	46.927

Liquidity coverage rates are calculated weekly for consolidated basis and monthly for unconsolidated basis as of 31 December 2015 in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. Liquidity coverage rates must be at least 50% for foreign currency assets and liabilities and at least 70% in total assets and liabilities for the period 31 December 2016. 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 (%)	165,79%	102,85%	64,03%	83,67%
Week	27.11.2016	06.11.2016	09.10.2016	25.12.2016

(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 (Continued):

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 2016	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (***)	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26.878	1.291.983	-	-	-	-	-	1.318.861
Due From Banks	16.389	223.269	-	-	-	-	-	239.658
Financial Assets at Fair Value Through Profit or Loss (*)	-	41.950	27.657	22.538	199.814	13.897	-	305.856
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	31.371	122.912	261.995	92.465	6.851	515.594
Loans	-	1.165.620	1.687.404	2.063.305	4.408.861	1.248.538	111.799	10.685.527
Held-to-Maturity Investments	-	-	-	-	74.975	86.632	-	161.607
Other Assets (**)	-	30.828	1.772	15.703	482	1.799	443.929	494.513
Total Assets	**43.267**	**2.753.650**	**1.748.204**	**2.224.458**	**4.946.127**	**1.443.331**	**562.579**	**13.721.616**
Liabilities								
Bank Deposits	6.772	50.023	-	-	-	-	-	56.795
Other Deposits	456.345	5.203.829	2.167.616	424.968	280	-	-	8.253.038
Funds Borrowed From Other Financial Institutions	-	50.441	109.843	1.788.222	234.753	1.080.938	-	3.264.197
Funds From Interbank Money Market	-	212.081	-	-	129.576	55.853	-	397.510
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	135.707	5.110	-	-	-	62.113	202.930
Other Liabilities (*) (***)	-	177.444	23.936	47.390	54.862	1.545	1.241.969	1.547.146
Total Liabilities	**463.117**	**5.829.525**	**2.306.505**	**2.260.580**	**419.471**	**1.138.336**	**1.304.082**	**13.721.616**
Net Liquidity Gap	**(419.850)**	**(3.075.875)**	**(558.301)**	**(36.122)**	**4.526.656**	**304.995**	**(741.503)**	**-**
Net Off-balance sheet Position	**-**	**451.497**	**193.290**	**48.895**	**(94.741)**	**840**	**-**	**599.781**
Financial Derivative Assets	-	2.349.223	963.496	486.348	798.626	2.101	-	4.599.794
Financial Derivative Liabilities	-	(1.897.726)	(770.206)	(437.453)	(893.367)	(1.261)	-	(4.000.013)
Non-cash Loans	**-**	**1.213.835**	**176.257**	**385.465**	**206.150**	**529**	**-**	**1.982.236**
31 December 2015								
Total Assets	46.093	2.275.992	1.592.141	1.944.930	3.256.728	1.110.280	448.670	10.674.834
Total Liabilities	464.104	4.353.888	2.369.631	987.190	885.252	438.891	1.175.878	10.674.834
Net Liquidity Gap	**(418.011)**	**(2.077.896)**	**(777.490)**	**957.740**	**2.371.476**	**671.389**	**(727.208)**	**-**
Net Off-balance sheet Position	**-**	**(8.208)**	**(24.211)**	**(15.163)**	**(41.935)**	**69**	**-**	**(89.448)**
Financial Derivative Assets	-	2.467.712	1.154.880	745.095	353.823	117	-	4.721.627
Financial Derivative Liabilities	-	(2.475.920)	(1.179.091)	(760.258)	(395.758)	(48)	-	(4.811.075)
Non-cash Loans	**-**	**896.694**	**137.512**	**360.042**	**149.091**	**816**	**-**	**1.544.155**

(*) The 1-5 years maturity period of Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 181.017 and the 1-5 years maturity period of Other Liabilities includes hedging derivative financial liabilities amounting to TL 29.486

(**)Assets that are necessary for banking activities, such as fixed and intangible assets, subsidiaries, associates and stationary stocks are classified in this column.

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

(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 (Continued):

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2016	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	56.806	-	-	-	-	56.806
Funds borrowed from other financial institutions	5.671.915	2.185.214	431.684	312	-	8.289.125
Funds from money market	51.994	131.479	1.834.843	410.937	1.204.894	3.634.147
Payables to money market	212.180	-	-	129.753	55.923	397.855
Total	**5.992.895**	**2.316.693**	**2.266.527**	**541.002**	**1.260.817**	**12.377.934**

31 December 2015	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	50.347	-	-	-	-	50.347
Funds borrowed from other financial institutions	4.141.734	2.229.654	253.346	60.515	-	6.685.249
Funds from money market	45.001	158.382	747.124	900.428	487.505	2.338.440
Payables to money market	396.140	-	-	-	-	396.140
Total	**4.633.222**	**2.388.036**	**1.000.470**	**960.943**	**487.505**	**9.470.176**

Derivative instruments of bank, counter-based maturity analysis:

31 December 2016	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative insturments held for trading						
Exchange rate derivatives:						
- Entry	2.341.552	958.975	476.146	72.665	-	3.849.338
- Out	1.890.528	756.847	385.077	71.217	-	3.103.669
Interest rate derivatives:						
- Entry	7.266	2.932	9.553	11.792	2.101	33.644
- Out	6.803	2.003	7.653	10.839	1.261	28.559
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	190	1.522	504	713.925	-	716.141
- Out	-	11.100	44.001	809.547	-	864.648
Interest rate derivatives:						
- Entry	215	67	145	244	-	671
- Out	395	256	722	1.764	-	3.137
Total cash entry	**2.349.223**	**963.496**	**486.348**	**798.626**	**2.101**	**4.599.794**
Total cash out	**1.897.726**	**770.206**	**437.453**	**893.367**	**1.261**	**4.000.013**

(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 (Continued):

31 December 2015	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 months**	**Above 5 years**	**Total**
Derivative insturments held for trading						
Exchange rate derivatives:						
- Entry	2.466.739	1.146.702	729.874	64.543	-	4.407.858
- Out	2.474.885	1.160.417	733.512	63.067	-	4.431.881
Interest rate derivatives:						
- Entry	915	7.751	15.221	12.060	117	36.064
- Out	821	7.142	13.481	10.755	48	32.247
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	-	402	-	277.220	-	277.622
- Out	-	11.284	12.415	319.077	-	342.776
Interest rate derivatives:						
- Entry	58	25	-	-	-	83
- Out	214	248	850	2.859	-	4.171
Total cash entry	**2.467.712**	**1.154.880**	**745.095**	**353.823**	**117**	**4.721.627**
Total cash out	**2.475.920**	**1.179.091**	**760.258**	**395.758**	**48**	**4.811.075**

(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 2016, leverage ratio of the Bank calculated from the arithmetic average of the three months is 6,10% (31 December 2015: 7,10%). 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 2016 (*)	31 December 2015 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivaties, including collaterals)	13.105.162	10.681.961
(Assets deducted from Core capital)	56.278	50.246
Total risk amount of balance sheet assets	13.048.884	10.631.715
Derivative financial assets and credit derivaties		
Cost of replenishment for derivative financial assets and credit derivaties	213.654	50.623
Potential credit risk amount of derivative financial assets and credit derivaties	86.615	42.712
Total risk amount of derivative financial assets and credit derivaties	300.269	93.335
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.111.949	2.561.389
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.111.949	2.561.389
Capital and total risk		
Core Capital	1.000.354	943.139
Total risk amount	16.461.102	13.286.439
Leverage ratio		
Leverage ratio	6,10%	7,10%

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

(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 TRANSACTONS:

As of 31 December 2016, The Bank applies cash flow hedge accounting using interest swaps to hedge its FC deposits with an average maturity up to 3 months against interest rate fluctuations. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

The swaps, of which carrying amount is TL 181.017 (31 December 2015: 40.845) derivative financial assets and TL 29.486 derivative financial liabilities (31 December 2015: 15.132), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 12.699 (31 December 2015: TL 10.953 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2015: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds (*)	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	180.399	27.528	(782)	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	618	1.958	22.697	-

(*) Includes TMS27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TAS 39, the accounting application is ended. In case of deterioration of efficieny, 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 2015: None).

It is determined in the measurements carried out as of the date of 31 December 2016 that above mentioned cash flow hedging transactions are effective.

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

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

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank's current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities.

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

	BookValue		Fair Value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial Assets	**11.602.386**	**9.032.280**	**11.588.387**	**9.079.508**
Due from Money Market	-	-	-	-
Due from Banks	239.658	195.012	239.657	195.013
Available-for-Sale Financial Assets	515.594	649.514	515.594	649.514
Held-to-maturity Investments	161.607	-	162.239	-
Loans	10.685.527	8.187.754	10.670.897	8.234.981
Financial Liabilities	**11.776.960**	**8.930.969**	**11.784.582**	**8.930.603**
Bank Deposits	56.795	50.346	56.795	50.358
Other Deposits	8.253.038	6.645.262	8.259.177	6.645.626
Borrowings	3.264.197	2.165.721	3.265.680	2.164.979
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	202.930	69.640	202.930	69.640

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.

a) Quoted market prices (non-adjusted) (1st level)
b) 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)
c) Data not based on observable data regarding assets or liabilities (3rd level)

(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 2016	**1st Level**	**2nd Level**	**3rd Level**	**Total**
Financial Assets at Fair Value Through Profit or Loss	13.650	111.189	-	124.839
Government Debt Securities	12.815	-	-	12.815
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	111.189	-	111.189
Other marketable securities	835	-	-	835
Available for Sale Financial Assets (*)	431.179	84.415	-	515.594
Share Certificates	0	6.849	-	6.849
Government Debt Securities	431.179	-	-	431.179
Other Marketable Securities	-	77.566	-	77.566
Hedging Derivative Financial Assets	-	181.017	-	181.017
Total Assets	**444.829**	**376.621**	**-**	**821.450**
Trading Derivative Financial Liabilities	-	166.902	-	166.902
Hedging Derivative Financial Liabilities	-	29.486	-	29.486
Total Liabilities	**-**	**196.388**	**-**	**196.388**

31 December 2015	**1st Level**	**2nd Level**	**3rd Level**	**Total**
Financial Assets at Fair Value Through Profit or Loss	12.214	72.266	-	84.480
Government Debt Securities	9.832	-	-	9.832
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	72.266	-	72.266
Other Marketable Securities	2.382	-	-	2.382
Available for Sale Financial Assets (*)	538.426	111.088	-	649.514
Share Certificates	0	6.849	-	6.849
Government Debt Securities	538.426	-	-	538.426
Other Marketable Securities	-	104.239	-	104.239
Hedging Derivative Financial Assets	-	40.845	-	40.845
Total Assets	**550.640**	**224.199**	**-**	**774.839**
Trading Derivative Financial Liabilities	-	76.621	-	76.621
Hedging Derivative Financial Liabilities	-	15.132	-	15.132
Total Liabilities	**-**	**91.753**	**-**	**91.753**

(*)As noted in the footnote VII-d, written down values of available for sale securities are reported if the such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason.There is not any transfer between 1st and 2nd levels in the current year.

(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 and treasury.

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

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade products, non-cash loans, foreign currency transaction services and other corporate banking services to corporate clients.
Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

Stated balance sheet and income statement items based on operating segments:

Prior period financial information is presented as at 31 December 2015 for balance sheet and 31 December 2015 income statements items.

31 December 2016	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
Net Interest Income	40.263	286.380	41.131	-	367.774
Net Fees and Comissions	3.969	19.211	-	-	23.180
Commercial Profit/Loss	9.136	11.941	1.595	-	22.672
Other Operating Income	1.585	7.669	-	-	9.254
Operating Income	**54.953**	**325.201**	**42.726**	-	**422.880**
Operating Costs (-)	**40.273**	**182.424**	**12.870**	**101.305**	**336.872**
Net Operating Income	**14.680**	**142.777**	**29.856**	**(101.305)**	**86.008**
Dividend Income	-	-	-	328	328
Income/(Loss) from subsidiaries based on equity method	-	-	-	5.026	5.026
Profit Before Tax	**14.680**	**142.777**	**29.856**	**(95.951)**	**91.362**
Tax Provisions (-)	2.936	28.555	5.971	(17.773)	19.689
Net Profit / Loss	**11.744**	**114.222**	**23.885**	**(78.178)**	**71.673**
Segment Assets	691.560	10.724.366	1.811.177	-	**13.227.103**
Investments in associates, subsidiaries and joint ventures	-	-	-	237.171	237.171
Unallocated Assets	-	-	-	257.342	257.342
Total Assets	**691.560**	**10.724.366**	**1.811.177**	**494.513**	**13.721.616**
Segments Liabilities	4.950.035	3.421.576	3.858.095	-	12.229.706
Unallocated Liabilities	-	-	-	1.491.910	1.491.910
Total Liabilities	**4.950.035**	**3.421.576**	**3.858.095**	**1.491.910**	**13.721.616**

(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 2015 (*)	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
Net Interest Income	29.408	266.386	23.696		319.490
Net Fees and Comissions	1.950	17.089	-		19.039
Commercial Profit/Loss	3.177	8.168	16.824		28.169
Other Operating Income	1.373	12.032	-		13.405
Operating Income	**35.908**	**303.675**	**40.520**	**-**	**380.103**
Operating Costs (-)	**29.475**	**199.574**	**9.944**	**86.836**	**325.830**
Net Operating Income	**6.433**	**104.101**	**30.576**	**(86.836)**	**54.273**
Dividend Income	-	-	-	54	54
Income/(Loss) from subsidiaries based on equity method	-	-	-	10.790	10.790
Profit Before Tax	**6.433**	**104.101**	**30.576**	**(75.992)**	**65.117**
Tax Provisions (-)	1.286	20.821	6.115	(15.274)	12.948
Net Profit / Loss	**5.147**	**83.280**	**24.461**	**(60.718)**	**52.169**
31 December 2015 (*)					
Segment Assets	482.181	8.329.884	1.439.612	-	10.251.677
Investments in associates, subsidiaries and joint ventures	-	-	-	228.722	228.722
Unallocated Assets	-	-	-	194.435	194.435
Total Assets	**482.181**	**8.329.884**	**1.439.612**	**423.157**	**10.674.834**
Segments Liabilities	3.691.540	3.037.552	2.653.260	-	9.382.352
Unallocated Liabilities	-	-	-	1.292.482	1.292.482
Total Liabilities	**3.691.540**	**3.037.552**	**2.653.260**	**1.292.482**	**10.674.834**

(*) Prior period balances have been restated due to the application of the equity method and table format.

(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 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Cash/Foreign currency	11.493	15.353	13.417	12.994
CBRT	149.757	1.142.258	134.468	933.193
Other	-	-	-	-
Total	**161.250**	**1.157.611**	**147.885**	**946.187**

2. Information on the account of the CBRT:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Demand Unrestricted Amount	149.757	224.976	134.468	197.171
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	917.282	-	736.022
Total	**149.757**	**1.142.258**	**134.468**	**933.193**

3. Information on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 11,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 25% for all foreign currency liabilities).

(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 2016, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2015:None).

2. Positive differences related to derivative financial instruments held for trading:

	31-Dec-16		31-Dec-15	
	TL	FC	TL	FC
Forward Transactions	14.659	1.638	11.203	1.264
Swap Transactions	45.831	28.788	26.320	14.790
Futures Transactions	-	-	-	-
Options	588	19.685	133	18.556
Other	-	-	-	-
Total	**61.078**	**50.111**	**37.656**	**34.610**

c. Information on banks:

1. Information on banks:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Banks				
Domestic	22	223.273	87.094	90.464
Foreign	-	16.363	-	17.454
Headquarters and Branches Abroad	-	-	-	-
Total	**22**	**239.636**	**87.094**	**107.918**

2. Information on foreign banks

	Unrestricted Amount		Restricted Amount	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
EU Countries	10.828	5.612	-	-
USA, Canada	4.829	3.453	-	-
OECD Countries (*)	470	8.049	-	-
Off-shore Banking Regions	-	-	-	-
Others	236	340	-	-
Total	**16.363**	**17.454**	-	-

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

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

d. Information on available-for-sale financial assets:

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

   As of 31 December 2016, there are TL 29.408 available-for-sale financial assets given as collateral/blocked (31 December 2015: TL 70.153) and those subject to repurchase agreements amounts to TL 295.810 (31 December 2015: TL 470.878).

2. Information on available-for-sale financial assets:

	31 December 2016	31 December 2015
Debt Securities	515.136	644.190
Quoted on Stock Exchange	515.136	644.190
Not Quoted	-	
Share Certificates	6.849	6.849
Quoted on Stock Exchange	-	-
Not Quoted	6.849	6.849
Impairment Provision (-)	6.391	1.525
Total	**515.594**	**649.514**

e. Explanations on loans:

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

	31 December 2016		31 December 2015	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	-	-	219
Corporate Shareholders	-	-	-	219
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	6.288	-	4.896	-
Total	**6.288**	**-**	**4.896**	**219**

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

i.

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Restructured or Rescheduled		Loans and Other Receivables (Total)	Restructured or Rescheduled	
		Loans with Restructured Payment Plans	Other		Loans with Restructured Payment Plans	Other
Non-Specialised Loans	9.896.801	-	-	676.927	215.627	1.714
Loans Given to Enterprises	-	-	-	-	-	-
Export Loans	372.484	-	-	68.383	995	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	460.955	-	-	-	-	-
Consumer Loans	237.324	-	-	17.740	-	-
Credit Cards	4.824	-	-	779	-	-
Other (*)	8.821.214	-	-	590.025	214.632	1.714
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	**9.896.801**	-	-	**676.927**	**215.627**	**1.714**

(*) The Bank also has TL 827 factoring loans in the Other account.

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	-	215.627
3, 4 or 5 times	-	-
Over 5 times	-	-
Total	**-**	**215.627**

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	195.703
6 Months – 12 Months	-	-
1-2 Years	-	-
2-5 Years	-	-
5 Years and Over	-	19.924
Total	-	**215.627**

(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 ASSETS (Continued):

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	**Restructured or Rescheduled**	**Loans and Other Receivables**	**Restructured or Rescheduled**
Short-term Loans and Other Receivables	2.582.684	-	113.770	17.498
Non-specialised Loans	2.582.684	-	113.770	17.498
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	7.314.117	-	345.816	199.843
Non-specialised Loans	7.314.117	-	345.816	199.843
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
TOTAL	**9.896.801**	-	**459.586**	**217.341**

(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	**9.859**	**232.473**	**242.332**
Real estate loans	-	81.929	81.929
Automotive loans	129	3.781	3.910
Consumer loans	9.730	146.763	156.493
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	**1.187**	**1.187**
Real estate loans	-	1.187	1.187
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**3.145**	-	**3.145**
With installments	-	-	-
Without installments	3.145	-	3.145
Individual Credit Cards- FC	**29**	-	**29**
With installments	-	-	-
Without installments	29	-	29
Personnel Loans-TL	**359**	**5.083**	**5.442**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	359	5.083	5.442
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	**827**	-	**827**
With installments	-	-	-
Without installments	827	-	827
Personnel Credit Cards-FC	**19**	-	**19**
With installments	-	-	-
Without installments	19	-	19
Credit Deposit Account-TL (Real Person)	**6.103**	-	**6.103**
Credit Deposit Account-FC (Real Person)	-	-	-
Total	**20.341**	**238.743**	**259.084**

(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	**52.073**	**1.090.736**	**1.142.809**
Real estate Loans	-	-	-
Automotive Loans	2.149	10.068	12.217
Consumer Loans	49.924	1.080.668	1.130.592
Other	-	-	-
Commercial Installments Loans-FC Indexed	**13.861**	**416.990**	**430.851**
Real estate Loans	-	-	-
Automotive Loans	511	6.379	6.890
Consumer Loans	13.350	410.611	423.961
Other	-	-	-
Commercial Installments Loans-FC	**-**	**2.978.621**	**2.978.621**
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	2.978.621	2.978.621
Other	-	-	-
Corporate Credit Cards-TL	**1.527**	**-**	**1.527**
With installments	-	-	-
Without installments	1.527	-	1.527
Corporate Credit Cards-FC	**56**	**-**	**56**
With installments	-	-	-
Without installments	56	-	56
Credit Deposit Account-TL (Legal Person)	**18.434**	**-**	**18.434**
Credit Deposit Account-FC (Legal Person)	**-**	**-**	**-**
Total	**85.951**	**4.486.347**	**4.572.298**

6. Loans according to types of borrowers:

	31 December 2016	31 December 2015
Public	-	4.500
Private	10.573.728	8.092.006
Total	**10.573.728**	**8.096.506**

7. Distribution of domestic and foreign loans:

	31 December 2016	31 December 2015
Domestic Loans	10.573.728	8.096.506
Foreign Loans	-	-
Total	**10.573.728**	**8.096.506**

8. Loans given to associates and subsidiaries;

	31 December 2016	31 December 2015
Direct Loans given to associates and subsidiaries	-	-
Indirect Loans given to associates and subsisiaries	-	-
Total	**-**	**-**

(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 2016	31 December 2015
Loans and Other Receivables with Limited Collectability	12.293	4.112
Loans and Other Receivables with Doubtful Collectability	17.709	11.489
Uncollectible Loans and Other Receivables	89.416	103.456
Total	**119.418**	**119.057**

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 and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2016			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	233	707	7.204
31 December 2015			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	1.245	4.671

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	**37.718**	**39.205**	**133.382**
Additions (+)	143.520	10.945	15.949
Transfers from Other Categories of Non performing Loans (+)	-	112.644	94.379
Transfers to Other Categories of Non-performing Loans (-)	112.644	94.379	-
Collections (-)	24.293	22.123	32.136
Write-offs (-) (*)	-	2.477	68.473
Corporate and Commercial Loans	-	2.476	68.261
Consumer Loans	-	-	87
Credit Cards	-	1	125
Other	-	-	-
Balance at the End of the Period	**44.301**	**43.815**	**143.101**
Specific Provision (-)	12.293	17.709	89.416
Net Balance on Balance Sheet	**32.008**	**26.106**	**53.685**

(*) The Bank has derecognized its non-performing loans from assets TL 70.950 on 28 June 2016 through selling to Mega Varlık Yönetim A.Ş. amounted TL 1.500.

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	**Loans and other receivables with doubtful collectability**	**Uncollectible loans and other receivables**
31 December 2016			
Period-End Balance	22.201	14.453	11.390
Specific Provision (-)	9.377	7.229	3.932
Net Balance on balance sheet	**12.824**	**7.224**	**7.458**
31 December 2015			
Period-End Balance	121	2.340	3.651
Specific Provision (-)	24	1.168	3.388
Net Balance on balance sheet	**97**	**1.172**	**263**

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	**Loans and other receivables with doubtful collectability**	**Uncollectible loans and other receivables**
Current Period (Net)	**32.008**	**26.106**	**53.685**
Loans Given to Real Persons and Legal Persons (Gross)	44.301	43.815	143.101
Specific Provision Amount (-)	12.293	17.709	89.416
Loans Given to Real Persons and Legal Persons (Net)	32.008	26.106	53.685
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**33.606**	**27.716**	**29.926**
Loans Given to Real Persons and Legal Persons (Gross)	37.718	39.205	133.382
Specific Provision Amount (-)	4.112	11.489	103.456
Loans Given to Real Persons and Legal Persons (Net)	33.606	27.716	29.926
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

(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):

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

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

12. Explanations on the write-off policy:

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

f. Information on held-to-maturity investments :

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	161.607	-	-
Other	-	-	-	-
Total	**-**	**161.607**	**-**	**-**

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	-	-	-
Other	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

	31 December 2016	31 December 2015
Government Bond	161.607	-
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	**161.607**	**-**

(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 ASSETS (Continued):

f. Information on held-to-maturity investments (Continued) :

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

	31 December 2016	31 December 2015
Debt securities	161.607	-
Publicly-traded	161.607	-
Not publicly-traded	-	-
Provision for impairment	-	-
Total	**161.607**	**-**

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

	31 December 2016	31 December 2015
Opening balance	-	-
Foreign exchange differences in monetary assets	-	-
Purchases during the year	161.607	-
Disposals through Sales and Redemptions	-	-
Value decrase equivalent (-)	-	-
Period end balance	**161.607**	**-**

g. Information on investments in associates (Net):

None (31 December 2015: None).

h. Information on subsidiaries (Net):

1. Information on unconsolidated subsidiaries:

   None (31 December 2015: None).

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

   None (31 December 2015: None).

(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 ASSETS (Continued):

3. Information on subsidiaries that are consolidated in consolidated accounts:

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage(%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
2	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiaries: -Burgan PortföyYönetimi A.Ş., (*) -Burgan Wealth Limited Dubai	 Istanbul/Turkey Dubai/UAE	100,00	-

(*)According to the results the date of 30 June 2016 Burgan Portföy Yönetimi A.Ş. which is subsidiary of Burgan Yatırım Menkul Değerler A.Ş its total losses of previous periods and first six-month losses of 2016 financial year have dropped down below a 1/3 of company's capital. Through Board of Directors' decision dated 14 May 2016, company management has decided to pay off their funds and following that, company and its main partner Burgan Yatırım Menkul Değerler A.Ş. are merged. On the date of 17 May 2016, these decisions are notified in written to the Capital Market Board. On the date of 21 October 2016, by permisson of the Capital Market Board, mutual funds which is founded by Burgan Portföy Yönetimi A.Ş. started to run off.

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	1.516.541	163.221	9.771	98.518	-	23.293	21.435	-
2 (*)	178.253	74.034	5.490	14.612	2.514	(18.267)	(10.645)	-

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

5. Movement schedules of subsidiaries:

	31 December 2016	31 December 2015
Balance at the beginning of the Period	**228.722**	**217.779**
Movements during the Period	**8.449**	**10.943**
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase (*)	8.449	10.943
Impairment Provision	-	-
Balance at the end of the Period	**237.171**	**228.722**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	**%99,99**	**%99,99**

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

(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 ASSETS (Continued):

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

Subsidiaries	**31 December 2016**	**31 December 2015**
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	172.512	137.315
Finance Companies	-	-
Other Financial Subsidiaries	64.659	91.407
Total	**237.171**	**228.722**

7. Subsidiaries quoted on stock exchange:

None (31 December 2015: None).

i. Information on joint ventures:

None (31 December 2015: None).

j. Information on lease receivables (net):

None (31 December 2015: None).

k. Information on hedging derivative financial assets:

	31 December 2016		**31 December 2015**	
	TP	**FC**	**TP**	**FC**
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	176.246	4.771	40.809	36
Foreign Net Investment Hedge	-	-	-	-
Total	**176.246**	**4.771**	**40.809**	**36**

(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 ASSETS (Continued):

l. Information on investment property:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2014				
Cost	22.101	-	53.929	76.030
Accumulated depreciation (-)	2.101	-	37.850	39.951
Net book value	**20.000**	**-**	**16.079**	**36.079**
31 December 2015				
Net book value at beginning of the period	20.000	-	16.079	36.079
Additions	21	-	27.585	27.606
Disposals (-) (net)	-	-	517	517
Impairment (-)	-	-	-	-
Depreciation (-)	440	-	7.120	7.560
Revaluation Increase	2.419	-	-	2.419
Cost at Period End	24.541	-	71.873	96.414
Accumulated Depreciation at Period End (-)	2.541	-	35.846	38.387
Closing Net Book Value at Period End	**22.000**	**-**	**36.027**	**58.027**

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2015				
Cost	24.541	-	71.873	96.414
Accumulated depreciation (-)	2.541	-	35.846	38.387
Net book value	**22.000**	**-**	**36.027**	**58.027**
31 December 2016				
Net book value at beginning of the period	22.000	-	36.027	58.027
Additions	-	-	8.457	8.457
Disposals (-), net	-	-	122	122
Impairment (-)	-	-	-	-
Depreciation (-)	456	-	8.163	8.619
Revaluation Increase	1.256	-	-	1.256
Cost at Period End	25.797	-	74.640	100.437
Accumulated Depreciation at Period End (-)	2.997	-	38.441	41.438
Closing Net Book Value at Period End	**22.800**	**-**	**36.199**	**58.999**

m. Information on intangible assets:

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

	31 December 2016	31 December 2015
Gross Book Value	78.392	66.864
Accumulated Depreciation (-)	32.040	24.255
Net Book Value	**46.352**	**42.609**

(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 ASSETS (Continued):

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

	31 December 2015	31 December 2014
Beginning of the Period	**42.609**	**42.348**
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	11.572	7.129
Disposals	22	0
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	7.807	6.868
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	**46.352**	**42.609**

n. Information on investment property:

None (31 December 2015: None).

(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 ASSETS (Continued):

o. Information on deferred tax asset:

As of 31 December 2016, the Bank has netted-off the calculated deferred tax asset of TL 16.459 (31 December 2015: TL 12.640) and deferred tax liability of TL 30.255 (31 December 2015: TL 11.985) in accordance with "TAS 12" and has recorded a net deferred tax liability of TL 13.796 (31 December 2015: TL 655 net deferred tax asset) in the financial statements.

As of 31 December 2016 and 31 December 2015, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Provision for Legal Cases	6.835	4.652	1.367	930
Provisions for Possible Risks	26.784	27.936	5.357	5.587
Reserve for Employee Rights	14.484	12.614	2.897	2.523
Unearned Revenue	21.231	17.303	4.246	3.461
Other	12.959	694	2.592	139
Deferred Tax Assets	**82.293**	**63.199**	**16.459**	**12.640**
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	27.492	26.929	5.498	5.386
Valuation Differences of Derivative Instruments	115.360	32.996	23.072	6.599
Other	8.423	-	1.685	-
Deferred Tax Liabilities	**151.275**	**59.925**	**30.255**	**11.985**
Deferred Tax Assets/(Liabilities) (Net)	**(68.982)**	**3.274**	**(13.796)**	**655**

Movement of deferred tax asset/ liabilities is presented below:

	31 December 2016	31 December 2015
Balance as of 1 January	**655**	**11.793**
Current year deferred tax income/(expense) (net)	(13.211)	(9.350)
Deferred tax charged to equity (net)	(1.240)	(1.788)
Balance at the End of the Period	**(13.796)**	**655**

(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):

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

The Bank has assets held for resale amounting to TL 45.165 (31 December 2015: TL 6.685) and has no discontinued operations.

Prior Period	**31 December 2016**	**31 December 2015**
Cost	7.196	11.673
Accumulated Depreciation (-)	511	736
Net Book Value	**6.685**	**10.937**
Current Period		
Net book value at beginning of the period	6.685	10.937
Additions	41.077	2.508
Disposals (-), net	2.131	6.504
Impairment (-)	49	-
Depreciation (-)	417	256
Cost	45.996	7.196
Accumulated Depreciation (-)	831	511
Closing Net Book Value	**45.165**	**6.685**

q. Information on other assets:

As of 31 December 2016, other assets amount to TL 105.363 (31 December 2015: TL 86.459) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

(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 2016:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.555	-	147.467	1.700.052	141.681	24.122	54.300	-	2.099.177
Foreign Currency Deposits	349.360	-	224.981	4.002.789	637.320	158.834	77.070	-	5.450.354
Residents in Turkey	297.584	-	224.531	3.940.283	628.322	156.889	23.584	-	5.271.193
Residents Abroad	51.776	-	450	62.506	8.998	1.945	53.486	-	179.161
Public Sector Deposits	5.453	-	-	1.030	-	-	-	-	6.483
Commercial Deposits	68.490	-	95.244	323.206	54.162	2.369	1.426	-	544.897
Other Institutions Deposits	1.487	-	6.579	120.098	12.294	142	11.527	-	152.127
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.772	-	50.023	-	-	-	-	-	56.795
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	78	-	50.023	-	-	-	-	-	50.101
Foreign Banks	6.694	-	-	-	-	-	-	-	6.694
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**463.117**	**-**	**524.294**	**6.147.175**	**845.457**	**185.467**	**144.323**	**-**	**8.309.833**

ii. 31 December 2015:

	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	17.464	-	43.275	934.636	76.602	42.099	48.034	-	1.162.110
Foreign Currency Deposits	340.659	-	175.192	3.526.447	562.193	67.020	96.671	-	4.768.182
Residents in Turkey	313.528	-	174.687	3.507.803	547.211	64.898	53.637	-	4.661.764
Residents Abroad	27.131	-	505	18.644	14.982	2.122	43.034	-	106.418
Public Sector Deposits	14.195	-	-	-	-	-	-	-	14.195
Commercial Deposits	78.425	-	71.465	281.151	37.777	55.905	56.059	-	580.782
Other Institutions Deposits	6.264	-	9.141	70.312	108	110	34.058	-	119.993
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	7.097	-	43.249	-	-	-	-	-	50.346
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	100	-	43.249	-	-	-	-	-	43.349
Foreign Banks	6.997	-	-	-	-	-	-	-	6.997
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**464.104**	**-**	**342.322**	**4.812.546**	**676.680**	**165.134**	**234.822**	**-**	**6.695.608**

(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	
Saving Deposits	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Saving Deposits	568.395	418.844	1.530.782	743.266
Foreign Currency Savings Deposit	198.348	198.352	2.622.810	2.807.719
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	**766.743**	**617.196**	**4.153.592**	**3.550.985**

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 2016	**31 December 2015**
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	25.687	17.299
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	**25.687**	**17.299**

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b. Information on trading derivative financial liabilities:

Schedule of negative differences concerning derivative financial liabilities held for trading:

	31 December 2016		31 December 2015	
Derivative Financial Liabilities Held for Trading	**TL**	**FC**	**TL**	**FC**
Forward Transactions	26.467	5.586	8.427	4.441
Swap Transactions	103.875	11.999	38.220	7.792
Futures Transactions	-	-	-	-
Options	482	18.493	56	17.685
Other	-	-	-	-
Total	**130.824**	**36.078**	**46.703**	**29.918**

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	24.711	48.646	37.466	69.130
From Foreign Banks, Institutions and Funds	-	2.133.362	-	1.620.232
Total	**24.711**	**2.182.008**	**37.466**	**1.689.362**

2. Information on maturity structure of borrowings:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Short-term	24.711	216.447	37.466	290.235
Medium and Long-term	-	1.965.561	-	1.399.127
Total	**24.711**	**2.182.008**	**37.466**	**1.689.362**

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 2016, deposits and borrowings from Bank's risk group comprise 1% (31 December 2015: 2%) of total deposits. Besides this, Borrowings from Bank's risk group comprise 59% (31 December 2015: 54%) of subordinated andother borrowings.

d. Information on marketable securities issued:

None (31 December 2015: None).

(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 67.273 (31 December 2015: TL 85.101) do not exceed 10% of the total of the balance sheet excluding off-balance sheet commitments.

f. Information on lease payables (net):

None (31 December 2015: None).

g. Information on hedging derivative financial liabilities:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	27.528	1.958	15.132	-
Foreign Net Investment Hedge	-	-	-	-
Total	**27.528**	**1.958**	**15.132**	-

h. Information on provisions:

1. Information on general provisions:

	31 December 2016	31 December 2015
General Provisions	**90.245**	**77.497**
Provisions for First Group Loans and Receivables	80.121	57.222
Additional Provision for Loans and Receivables with Extended Maturities (*)	-	767
Provisions for Second Group Loans and Receivables	7.692	16.853
Additional Provision for Loans and Receivables with Extended Maturities	-	11.174
Provisions for Non-Cash Loans	1.913	3.246
Other	519	176

(*)As of December 14, 2016, the Bank has set aside the minimum rates stipulated in the Regulation on the Procedures and Principles for the Determination of the Characteristics of Loans and Other Receivables and the Provisions to be Made on the Banks for the Standard Cash Loans at a rate of 0,5%.

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)

2. Information on reserve for employment termination benefits:

Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

The payment amount which is one month's salary for each working year is restricted to TL 4.297,21 since 1 July 2016 (31 December 2015: TL 3.828,37). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Bank. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	31 December 2016	**31 December 2015**
Discount rate (%)	3,15	2,74
Salary increase rate (%)	9,00	8,75
Average remaining work period (Year)	11,43	11,57

Movement of reserve for employment termination benefits during the period:

	31 December 2016	**31 December 2015**
As of January 1	8.823	7.862
Service cost	1.644	1.460
Interest cost	935	665
Settlement cost	1.034	508
Actuarial loss/gain	(286)	585
Benefits paid (-)	2.694	2.257
Total	**9.456**	**8.823**

In addition, as of 31 December 2016 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 16.667 (31 December 2015:TL 14.741).

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2016	31 December 2015
Provisions for potential risks (*)	26.784	27.936
Total	**26.784**	**27.936**

(*)The Bank's provisions for certain loans in its loan portfolio are reserved against risks that may arise in the future.

ii. Information on other provisions:

The Bank set aside reserves under other provisions amounting to TL 6.835 (31 December 2015: TL 4.652) for lawsuits, TL 2.038 (31 December 2015: TL 1.941) for non-cash loans, TL 1.301 (31 December 2015: TL 1.192) for customer cheques commitments, TL 143 (31 December 2015: TL 62) for credit card loyalty points and TL 220 (31 December 2015: TL 183) for other receivables.

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

As of 31 December 2016, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 14 (31 December 2015: TL 3.128) 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 2016, there is no corporate tax provision (31 December 2015: TL 2.892).

2. Information on taxes payable:

	31 December 2016	31 December 2015
Corporate Tax Payable	-	2.892
Taxation of Marketable Securities	9.327	7.152
Property Tax	137	168
Banking Insurance Transaction Tax	6.101	6.180
Value Added Tax Payable	353	533
Other	2.731	2.525
Total	**18.649**	**19.450**

(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 2016	31 December 2015
Social Security Premiums-Employee	1.895	827
Social Security Premiums-Employer	2.502	1.246
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	132	58
Unemployment Insurance-Employer	264	115
Other	-	-
Total	**4.793**	**2.246**

4. As of 31 December 2016, the Bank has netted-off the calculated deferred tax asset of TL 16.459 (31 December 2015: TL 12.640) and deferred tax liability of TL 30.255 (31 December 2015: TL 11.985) in accordance with "TAS 12" and has recorded a net deferred tax liability of TL 13.796 (31 December 2015: TL 655 net deferred tax asset) in the financial statements.

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

None (31 December 2015: None).

k. Information on subordinated loans:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	6 December 2013	4 December 2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	30 March 2016	30 March 2026	LIBOR+3,75

The subordinated loan does not have the option to be converted into stock certificate.

Information about subordinated loans:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.057.478	-	438.893
Other Foreign	-	-	-	-
Total	**-**	**1.057.478**	**-**	**438.893**

(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)

l. Information on shareholders' equity:

1. Presentation of paid-in capital:

	31 December 2016	31 December 2015
Common Stock	900.000	900.000
Preferred Stock	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	1.000.000

3. Information on the share capital increases during the period and their sources:

   None.

4. Information on capital increases from capital reserves during the current period.

   None.

5. Information on capital commitments, up until the end of the fiscal year and the subsequent period:

   None.

6. Information on capital by considering the Bank's profitability, prior period indicators on liquidity and uncertainty on these indicators:

   The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

   Based on the Principal Agreement, the Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

(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)

8. Information on marketable securities valuation reserve:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(872)	(6.999)	(1.521)	(857)
Foreign Currency Translation Difference	-	-	-	-
Total	**(872)**	**(6.999)**	**(1.521)**	**(857)**

9. Information on tangible assets revaluation reserve:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Movables	-	-	-	-
Immovables	16.127	-	15.122	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	-	-	-	-
Total	**16.127**	**-**	**15.122**	**-**

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

According to the General Assembly meeting decision on 31 March 2016, the profit of 2015 which to TL 52.169 (TAS 27) is not distributed. It is classified as TL 1.071 is legal reserve, TL 4.813 is extraordinary reserve and TL 46.285 is absorbed from losses of previous period.

(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 2016	31 December 2015
Foreign currency buy/sell commitments	576.525	495.701
Commitments for cheques	302.867	299.665
Loan limit commitments	145.005	168.409
Commitments for credit card limits	17.475	25.825
Capital commitments for subsidiaries	14.997	-
Commitments for purchase and sale of marketable securities	618	-
Promotions for the credit cards and their care services	14	19
Blocked cheques given to customers	-	3.300
Total	**1.057.501**	**992.919**

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 2016	31 December 2015
Letter of guarantees	1.584.427	1.225.235
Letter of credits	256.635	97.280
Bank acceptance loans	130.717	195.057
Other guarantees	10.429	26.555
Factoring guarantees	28	28
Total	**1.982.236**	**1.544.155**

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Irrevocable letters of guarantee	612.453	389.228	528.011	311.264
Revocable letters of guarantee	73.964	33.691	51.280	30.677
Guarantees given to customs	18.689	58.023	24.858	30.931
Letters of guarantee given in advance	9.089	161.826	9.069	116.668
Other letters of guarantee	16.724	210.740	15.074	107.403
Total	**730.919**	**853.508**	**628.292**	**596.943**

(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 2016	31 December 2015
Non-cash loans given against cash loans	229.648	143.161
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	229.648	143.161
Other non-cash loans	1.752.588	1.400.994
Total	**1.982.236**	**1.544.155**

ii. Information on sectoral concentration of non-cash loans:

	31 December 2016				31 December 2015			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**1.001**	**0,14**	**8.235**	**0,66**	**10.761**	**1,70**	**8.803**	**0,96**
Farming and Livestock	772	0,11	8.235	0,66	10.498	1,66	8.803	0,96
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,03	-	-	263	0,04	-	-
Manufacturing	**253.533**	**34,51**	**593.507**	**47,57**	**193.898**	**30,70**	**484.018**	**53,04**
Mining	103.731	14,12	128.295	10,28	12.403	1,96	84.198	9,23
Production	141.345	19,24	461.962	37,03	167.702	26,55	396.047	43,40
Electric, Gas, Water	8.457	1,15	3.250	0,26	13.793	2,18	3.773	0,41
Construction	**213.385**	**29,04**	**372.048**	**29,82**	**173.363**	**27,45**	**259.092**	**28,39**
Services	**250.629**	**34,11**	**273.116**	**21,89**	**236.264**	**37,40**	**158.234**	**17,34**
Wholesale and Retail Trade	86.510	11,77	76.906	6,16	128.311	20,31	73.087	8,01
Hotel and Food Services	9.255	1,26	21.858	1,75	8.546	1,35	2.261	0,25
Transportation and Telecommunication	22.856	3,11	12.418	1,00	22.313	3,53	16.243	1,78
Financial Institutions	109.858	14,95	135.025	10,82	48.875	7,74	38.049	4,17
Real Estate and Leasing Ser.	11.915	1,62	20.752	1,66	18.943	3,00	25.802	2,83
Professional Services	6.187	0,84	-	-	2.575	0,41	-	-
Education Services	66	0,01	951	0,08	98	0,02	-	-
Health and Social Services	3.982	0,54	5.206	0,42	6.603	1,05	2.792	0,31
Other	**16.149**	**2,20**	**633**	**0,05**	**17.386**	**2,75**	**2.336**	**0,26**
Total	**734.697**	**100**	**1.247.539**	**100**	**631.672**	**100**	**912.483**	**100**

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS (Continued):

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

	Group I		Group II	
Current Period (*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	699.027	835.452	27.458	18.006
Acceptance and Acceptance Loans	3.750	126.967	-	-
Letters of Credit	-	256.035	-	600
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	10.429	-	-
Total	**702.805**	**1.228.883**	**27.458**	**18.606**

(*)In addition to non-cash loans stated above, the Bank has non-cash loans classified as non-performing loans, amounting to TL 4.484. As of 31 December 2016, the Bank has recorded a TL 2.038 provision regarding these risks.

b. Information on derivative financial instruments:

	31 December 2016	31 December 2015
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	**12.003.911**	**12.240.871**
Currency forward transactions	1.016.154	1.324.583
Currency swap transactions	5.211.412	5.891.542
Futures transactions	-	-
Options	5.776.345	5.024.746
Interest related derivative transactions (II)	**7.122.724**	**4.156.866**
Forward rate agreements	-	-
Interest rate swaps	7.122.724	4.156.866
Interest rate options	-	-
Interest rate futures	-	-
A. Total trading derivative transactions (I+II)	**19.126.635**	**16.397.737**
Types of hedging transactions	**2.281.196**	**984.772**
Fair value hedges	-	-
Cash flow hedges	2.281.196	984.772
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	**2.281.196**	**984.772**
Total derivative transactions (A+B)	**21.407.831**	**17.382.509**

c. Information on contingent assets and contingent liabilities:

As of 31 December 2016, the total amount of legal cases against the Bank is TL 44.938 (31 December 2015: TL 34.582) and the Bank sets aside a provision of TL 6.835 (31 December 2015: TL 4.652) 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 injuction 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.

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS (Continued):

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

FITCH (9 February 2017)	
Outlook	Stable
Long Term FC	BBB-
Short Term FC	F3
Long Term TL	BBB-
Short Term TL	F3
Viability Note	b+
Support Rating	2
National Rating	AAA(tur)

MOODY'S (26 September 2016)	
Outlook	Stable
Long Term FC	Ba3
Short Term FC	Not Prime
Long Term TL	Ba3
Short Term TL	Not Prime

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans:

	31 December 2016		31 December 2015	
Interest Income on Loans (*)	**TL**	**FC**	**TL**	**FC**
Short-term Loans	331.521	19.672	332.789	16.632
Medium/Long-term Loans	212.962	262.328	141.763	192.752
Interest on Loans Under Follow-up	5.176	-	4.119	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	**549.659**	**282.000**	**478.671**	**209.384**

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

2. Information on interest income on banks:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
From the CBRT	-	-	-	-
From Domestic Banks	1.643	309	2.919	95
From Foreign Banks	-	17	-	32
Headquarters and Branches Abroad	-	-	-	-
Total	**1.643**	**326**	**2.919**	**127**

(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. Information on interest income on marketable securities:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
From Trading Financial Assets	3.008	239	3.198	60
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	22.165	12.613	26.090	5.618
From Held-to-Maturity Investments	-	1.839	-	-
Total	**25.173**	**14.691**	**29.288**	**5.678**

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

	31 December 2016	31 December 2015
Interest Received From Investments in Associates and Subsidiaries	270	64

(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):

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Banks	2.182	83.422	2.991	60.730
The CBRT	-	-	-	-
Domestic Banks	2.177	1.064	2.976	1.094
Foreign Banks	5	82.358	15	59.636
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	9.863	-	-
Total (*)	**2.182**	**93.285**	**2.991**	**60.730**

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

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

	31 December 2016	31 December 2015
Interest Paid to Investment in Associates and Subsidiaries	2.681	1.030

3. Interest expense on issued marketable securities:

	31 December 2016	31 December 2015
Interest expense on issued marketable securities	4.383	-

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

Current Period	Demand Deposit	Time Deposit Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accum. Deposit	Total
Turkish Currency								
Bank Deposits	9	470	-	-	-	-	-	479
Savings Deposits	-	8.215	163.092	19.446	9.397	7.460	-	207.610
Public Deposits	-	5	79	-	-	-	-	84
Commercial Deposits	-	11.624	39.007	4.932	3.578	4.634	-	63.775
Other Deposits	-	387	9.160	1.920	323	3.356	-	15.146
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Total	**9**	**20.701**	**211.338**	**26.298**	**13.298**	**15.450**	**-**	**287.094**
Foreign Currency								
Foreign Currency Account	-	2.850	90.418	14.693	2.234	2.112	-	112.307
Bank Deposits	-	204	-	-	-	-	-	204
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	**-**	**3.054**	**90.418**	**14.693**	**2.234**	**2.112**	**-**	**112.511**
Sum Total	**9**	**23.755**	**301.756**	**40.991**	**15.532**	**17.562**	**-**	**399.605**

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

c. Information on dividend income:

	31 December 2016	31 December 2015
Trading FinancialAssets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale FinancialAssets	328	54
Other	-	-
Total	**328**	**54**

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

	31 December 2016	31 December 2015
Income	**14.160.577**	**14.322.555**
Capital Market Transactions	10.472	9.138
Derivative Financial Transactions	37.743	21.285
Foreign Exchange Gains	14.112.362	14.292.132
Loss (-)	**14.137.905**	**14.294.386**
Capital Market Transactions	4.447	5.077
Derivative Financial Transactions	27.832	27.034
Foreign Exchange Loss	14.105.626	14.262.275
Net Income/Loss	**22.672**	**28.169**

e. Information on other operating income:

As of 31 December 2016, the Bank's other operating income is TL 9.254 (31 December 2015: TL 13.405). TL 1.247 (31 December 2015: TL 5.011) 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 2016	31 December 2015
Specific Provisions for Loans and Other Receivables	65.689	64.917
III. Group Loans and Receivables	14.365	4.695
IV. Group Loans and Receivables	13.614	7.771
V. Group Loans and Receivables	37.710	52.451
General Provision Expenses	7.157	7.897
Provision Expense for Possible Risks	(3.354)	13.821
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	**69.492**	**86.635**

(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 2016	31 December 2015
Personnel Expenses	137.790	129.118
Reserve For Employee Termination Benefits(*)	4.013	2.798
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	8.619	7.560
Impairment Expenses of Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	7.807	6.868
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	49	-
Depreciation Expenses of Assets Held for Resale	417	256
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	83.574	90.510
Operational Lease Expenses	26.891	28.750
Maintenance Expenses	1.247	1.071
Advertising Expenses	999	570
Other Expense	54.437	60.119
Loss on Sales of Assets	298	548
Other (**)	24.813	1.537
Total	**267.380**	**239.195**

(*) As of 31 December 2016, “the employee vacation fee provision expense” is TL 424 (31 December 2015: TL 154).
(**) In the previous term, within the other; As a result of the settlement of an existing case, revenue amounting to TL 14.758, which was reversed in the current year, has been recorded as TL 13.220 for the related case.
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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 91.362 (31 December 2015: TL 65.117 profit before tax).

i. Information on provision for taxes from discontinued or continuing operations:

The Bank has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

As of 31 December 2016, the Bank has TL 6.478 current tax expense amounting and deferred tax expense amounting to TL 13.211.

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

   The Bank has TL 3.951deferred tax income from temporary differences and no tax expense from carried financial loss and TL 17.162 deferred tax expense from closed temporary differences amounting to net TL 13.211deferred tax expense.

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

   As of 31 December 2016, the Bank has TL 13.211 deferred tax expense arising from temporary differences and there is no deferred tax expense from carried financial loss belongs to the prior period.

j. Information on continuing and discontinued operations' current period net profit/(loss):

The Bank has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

k. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items' composition is necessary to understand the annual performance of Bank, the composition and amount of these items:

   None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

   None.

l. Information on other income and expenses:

1. Interest income amounts to TL 1.143.862 (31 December 2015: TL 845.777) and TL 253.226 (31 December 2015: TL 110.205) of this amount is classified as "Other Interest Income" in the income statement of Bank in the current period.

	31 December 2016	31 December 2015
Other Interest Income		
Interest Income Related to Derivative Transactions	250.419	108.571
Other	2.807	1.634
Total	**253.226**	**110.205**

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Interest expense amounts to TL 776.088 (31 December 2015: TL 526.287), TL 259.909 (31 December 2015: TL 162.837) of this amount is classified as "Other Interest Expense" in the income statement of Bank in the current period.

	31 December 2016	31 December 2015
Other Interest Expense		
Interest Expense Related to Derivative Transactions	249.251	162.070
Other	10.658	767
Total	**259.909**	**162.837**

3. As of 31 December 2016, the Bank's fee and commission income amounts to TL 28.702 (31 December 2015: TL 26.517) and TL 14.285 (31 December 2015: TL 14.763) the related amount is classified under "Other fee and commission income" account.

	31 December 2016	31 December 2015
Other Fee and Commissions Received		
Credit Card and POS Transaction Commission	2.152	4.706
Account Operating Fees	1.439	1.763
Insurance Comissions	1.040	1.554
Transfer Commissions	899	1.396
Commissions from Correspondent Banks	404	406
OrtakNokta Commissions	151	116
Commissions on Investment Fund Services	99	84
Letter of Credit Commissions	12	20
Other	8.089	4.718
Total	**14.285**	**14.763**

4. As of 31 December 2016, Bank's fee and commission expense amounts to TL 5.522 (31 December 2015: TL 7.478) and TL 5.500 (31 December 2015: TL 7.464) of the related amount is classified under "Other fee and commission expense" account.

	31 December 2016	31 December 2015
Other Fee and Commissions Given		
Credit Card Transaction Commission	2.859	5.127
Commissions Granted to Correspondent Banks	865	848
EFT Commissions	648	593
OrtakNokta Commissions	415	461
Transfer Commissions	103	136
Other	610	299
Total	**5.500**	**7.464**

(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 2016.

b. Information on distribution of profit:

According to the decision of the Bank held at the Ordinary General Assembly Meeting held on 31 March 2016; While adapting TAS 27 Standard, the profit of 2015, TL 52.169 was not distributed, TL 1.071 was allocated as legal reserves, TL 4.813 as extraordinary reserves, TL 46.285 had been deducted from the losses.

c. Information on capital increase:

There is no capital increase in 2016.

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 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(872)	(6.999)	(1.521)	(857)
Foreign Currency Difference	-	-	-	-
Total	**(872)**	**(6.999)**	**(1.521)**	**(857)**

e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.005 net of tax (31 December 2015: TL 1.935) is accounted under "Revaluation differences of tangible assets and intangible assets".

(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 2016	31 December 2015
Cash	**376.160**	**393.691**
Cash, Foreign Currency and Other	26.411	30.159
Demand Deposits in Banks	349.749	363.532
Cash Equivalents	**176.001**	**109.062**
Interbank Money Market	-	-
Time Deposits in Bank	176.001	109.062
Total Cash and Cash Equivalents	**552.161**	**502.753**

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 2016	31 December 2015
Cash	**412.911**	**376.160**
Cash, Foreign Currency and Other	26.845	26.411
Demand Deposits in Banks	386.065	349.749
Cash Equivalents	**221.505**	**176.001**
Interbank Money Market	-	-
Time Deposits in Bank	221.505	176.001
Total Cash and Cash Equivalents	**634.416**	**552.161**

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 247.260 TL (31 December 2015: negative TL 53.726) 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 125.319 (31 December 2015: positive TL 34.834) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2016, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive TL 38.302 (31 December 2015: positive TL 13.347).

(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 2015 for balance sheet and income statements items.

31 December 2016:

Banks' Risk Group (*)	**Investments in associates, subsidiaries and joint ventures**		**Direct and indirect shareholders of the Bank**		**Other real and legal persons that have been included in the risk group**	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Balance at the Beginning of the Period	-	23.519	-	219	89	8.753
Balance at the End of the Period	-	27.908	-	-	113	68.425
Interest and Commission Income Received	270	40	-	-	6	-

(*) Defined in Article 49 of subsection 2 of the Banking Act No.5411.

31 December 2015:

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**	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Balance at the Beginning of the Period	2.166	18.079	-	-	24	26.972
Balance at the End of the Period	-	23.519	-	219	89	8.753
Interest and Commission Income Received	64	32	-	-	7	-

(*) Defined in Article 49 of subsection 2 of the Banking Act No.5411.

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**	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	84.098	25.708	6.184	21.433	17.841	13.257
End of the Period	61.164	84.098	5.656	6.184	26.005	17.841
Interest Expense on Deposits	2.681	1.030	-	-	1.238	967

(*)Defined in Article 49 of subsection 2 of the Banking Act No.5411.

(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):

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**	
Repurchase Transactions	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

(*)Defined inArticle 49 of subsection 2 of the Banking Act No.5411.

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**	
Transactions for trading purposes	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period (**)	92.529	19.779	-	-	-	-
Balance at the end of the period (**)	307.337	92.529	-	-	-	-
Total Profit/Loss	**(12.351)**	**(2.898)**	-	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*)Defined in Article 49 of subsection 2 of the Banking Act No.5411.
(**)The information in 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	1.939.459	59,42
Deposit	96.333	4,86
Non-cash loans	92.825	1,12
Banks and Other Institutions	130	0,05
Loans	113	-

As of 31 December 2016, the Bank has realized interest expense amounting to TL 61.574 (31 December 2015: TL 36.979) on loans borrowed from the direct shareholders of the Bank.

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 333 (31 December 2015: TL 151) as other operating income and has TL 6 (31 December 2015: None) as other operating expense. From Burgan Finansal Kiralama A.Ş., and TL 36 (31 December 2015: 138) from Burgan Yatırım Menkul Değerler A.Ş. as other operating income and TL 118 as other commission expense (31 December 2015:None).

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Bank's risk group and the amount composes 0,76% (31 December 2015: 0,33%) of the Bank's total cash and non-cash loans.

As of 31 December 2016 there are no purchase-sales transactions on any assets including real - estate with the risk group consisting the Bank.

As of 31 December 2016 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Bank is included.

c. Information on benefits provided to top management:

Top management of the Bank is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 17.239 (31 December 2015: TL 15.504) which include total gross salary, travel, meal, health, life insurance and other expenses.

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number			
Domestic Branch	49	994			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	Statutory share capital
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO BANK'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The unconsolidated financial statements as of 31 December 2016 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 10 March 2017 has been presented prior to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

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

BURGAN BANK A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES TOGETHER WITH INDEPENDENT AUDIT REPORT AT 31 DECEMBER 2016

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

Independent auditor report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Burgan Bank A.Ş. ("the Bank") and its subsidiaries (together will be referred as "the Group") as at December 31, 2016, and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank's Board of Directors for the Consolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the consolidated financial statement in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; "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.

Independent Auditor's Responsibility

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

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

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

Opinion

In our opinion the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of Burgan Bank A.Ş. and its subsidiaries as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

Reports on arising from other regulatory requirements:

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

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

Additional paragraph for convenience translation to English:

As explained in detail in Note I. 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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Fatma Ebru Yücel, SMMM
Partner

Istanbul, Turkey
March 10, 2017

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

THE CONSOLIDATED FINANCIAL AUDIT REPORT OF BURGAN BANK A.Ş. AS OF 30 DECEMBER 2016

Address : Maslak Mahallesi, Eski Büyükdere Caddesi, No:13 34485 Sarıyer/İstanbul
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The consolidated financial audit report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

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

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this reporting package are as follows:

Subsidiaries	Investment in Associates	Joint Ventures
1. Burgan Finansal Kiralama A.Ş.	-	-
2. Burgan Yatırım Menkul Değerler A.Ş.	-	-
3. Burgan Portföy Yönetimi A.Ş.	-	-
4. Burgan Wealth Limited	-	-

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

10 March 2017

Mehmet N. ERTEN Chairman of the Board of Directors	Ali Murat DİNÇ Member of the Board of Directors and General Manager	Mehmet YALÇIN Financial Affairs Vice General Manager	Ahmet CIĞA 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 CIĞA / Head of Accounting Tax and Reporting Unit
Telephone Number : 0 212 371 34 84
Fax Number : 0 212 371 42 48

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SECTION ONE

GENERAL INFORMATION

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

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

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

According to the Share Transfer Agreement signed between the SDIF and Tekfen Holding A.Ş. on 30 June 2001, 2.983.800.000 shares with a nominal value of Kr1 each and which amount to 99,46% of the capital of Bank Ekspres A.Ş. under the control of the SDIF in accordance with Banking Law were transferred to Tekfen Holding A.Ş.. Based on this agreement, the acquisition of Tekfen Yatırım ve Finansman Bankası A.Ş., where Tekfen Holding A.Ş. owns 57,69% of the Bank, by Bank Ekspres A.Ş. was permitted by the Banking Regulation and Supervision Agency's ("BRSA") decision numbered 489 dated 18 October 2001. The share transfers were realised on 26 October 2001 and the bank's name was changed to Tekfenbank Anonim Şirketi (the "Bank"), which had two main shareholders: Tekfen Holding A.Ş. with 57,30% and TST International S.A. with 40,62%.

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

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

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

GENERAL INFORMATION (Continued)

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

The Parent Bank's registered capital ceiling is 1 million TL. There are no changes to the Bank's shareholder structure.

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).

GENERAL INFORMATION (Continued)

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

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

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

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

GENERAL INFORMATION (Continued)

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES IN THE PARENT BANK:

Name/Commercial title	Share Amounts	Share percentage	Paid-in Capital	Unpaid portion
Burgan Bank K.P.S.C.	893.324	99,26%	99,26%	-

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

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

As of 31 December 2016, the Parent Bank has 49 branches operating in Turkey (31 December 2015: 56). The Parent Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2016, the Group has 1.089 (31 December 2015: 1.164) employees.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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VII. Statement of profit appropriation

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

BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

I.	BALANCE SHEET	Note						
		(Section		(31/12/2016)			(31/12/2015)	
	ASSETS	Five)	TL	FC	Total	TL	FC	Total
I.	**CASH AND BALANCES WITH CENTRAL BANK**	**I-a**	**161.255**	**1.157.611**	**1.318.866**	**147.888**	**946.187**	**1.094.075**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)**	**I-b**	**84.444**	**51.759**	**136.203**	**72.578**	**37.310**	**109.888**
2.1	Trading Financial Assets		84.444	51.759	136.203	72.578	37.310	109.888
2.1.1	Government Debt Securities		27.120	840	27.960	27.938	2.569	30.507
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		54.221	50.084	104.305	37.598	34.517	72.115
2.1.4	Other Marketable Securities		3.103	835	3.938	7.042	224	7.266
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**	**95.216**	**242.892**	**338.108**	**87.166**	**107.967**	**195.133**
IV.	**MONEY MARKETS**		**17.110**	**-**	**17.110**	**22.195**	**-**	**22.195**
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		16.690	-	16.690	22.195	-	22.195
4.3	Receivables from Reverse Repurchase Agreements		420	-	420	-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**	**I-d**	**370.543**	**168.612**	**539.155**	**272.856**	**380.474**	**653.330**
5.1	Share Certificates		11.568	-	11.568	11.567	-	11.567
5.2	Government Debt Securities		358.462	92.465	450.927	258.441	279.985	538.426
5.3	Other Marketable Securities		513	76.147	76.660	2.848	100.489	103.337
VI.	**LOANS**	**I-e**	**4.666.340**	**6.064.455**	**10.730.795**	**3.806.299**	**4.458.500**	**8.264.799**
6.1	Loans		4.533.679	6.064.455	10.598.134	3.702.571	4.458.500	8.161.071
6.1.1	Loans to Bank's Risk Group		106	7	113	84	5	89
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		4.533.573	6.064.448	10.598.021	3.702.487	4.458.495	8.160.982
6.2	Loans under Follow-up		278.035	-	278.035	240.615	-	240.615
6.3	Specific Provisions (-)		145.374	-	145.374	136.887	-	136.887
VII.	**FACTORING RECEIVABLES**	**I-e**	**123**	**704**	**827**	**856**	**817**	**1.673**
VIII.	**HELD-TO-MATURITY SECURITIES (Net)**	**I-f**	**-**	**161.607**	**161.607**	**-**	**-**	**-**
8.1	Government Debt Securities		-	161.607	161.607	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	**I-g**	**-**	**-**	**-**	**-**	**-**	**-**
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
X.	**SUBSIDIARIES (Net)**	**I-h**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI.	**JOINT VENTURES (Net)**	**I-i**	**-**	**-**	**-**	**-**	**-**	**-**
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	**LEASE RECEIVABLES (Net)**	**I-j**	**303.741**	**1.005.983**	**1.309.724**	**305.404**	**623.323**	**928.727**
12.1	Financial Lease Receivables		398.103	1.147.332	1.545.435	407.352	712.029	1.119.381
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		94.362	141.349	235.711	101.948	88.706	190.654
XIII.	**HEDGING DERIVATIVE FINANCIAL ASSETS**	**I-k**	**176.246**	**7.940**	**184.186**	**40.809**	**36**	**40.845**
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		176.246	7.940	184.186	40.809	36	40.845
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	**PROPERTY AND EQUIPMENT (Net)**	**I-l**	**72.566**	**1.590**	**74.156**	**63.580**	**-**	**63.580**
XV.	**INTANGIBLE ASSETS (Net)**	**I-m**	**48.465**	**1.059**	**49.524**	**45.737**	**-**	**45.737**
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		48.465	1.059	49.524	45.737	-	45.737
XVI.	**INVESTMENT PROPERTY (Net)**	**I-n**	**-**	**-**	**-**	**-**	**-**	**-**
XVII.	**TAX ASSET**		**10.510**	**-**	**10.510**	**9.541**	**-**	**9.541**
17.1	Current Tax Asset		2.220	-	2.220	245	-	245
17.2	Deferred Tax Asset	I-o	8.290	-	8.290	9.296	-	9.296
XVIII.	**ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**	**I-p**	**45.511**	**-**	**45.511**	**6.695**	**-**	**6.695**
18.1	Held for Resale		45.511	-	45.511	6.695	-	6.695
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	**OTHER ASSETS**	**I-r**	**80.957**	**96.906**	**177.863**	**88.376**	**48.523**	**136.899**
	TOTAL ASSETS		**6.133.027**	**8.961.118**	**15.094.145**	**4.969.980**	**6.603.137**	**11.573.117**

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

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

BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION) AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

I.	**BALANCE SHEET**	**Note (Section**		**(31/12/2016)**			**(31/12/2015)**	
	LIABILITIES	**Five)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**II-a**	**2.847.484**	**5.401.185**	**8.248.669**	**1.872.349**	**4.739.162**	**6.611.511**
1.1	Deposits of Bank's Risk Group		7.882	23.779	31.661	4.586	19.440	24.026
1.2	Other		2.839.602	5.377.406	8.217.008	1.867.763	4.719.722	6.587.485
II.	**TRADING DERIVATIVE FINANCIAL LIABILITIES**	**II-b**	**114.784**	**36.055**	**150.839**	**46.703**	**29.613**	**76.316**
III.	**BORROWINGS**	**II-c**	**98.573**	**3.347.535**	**3.446.108**	**140.264**	**2.381.984**	**2.522.248**
IV.	**MONEY MARKETS**		**310.620**	**185.428**	**496.048**	**172.258**	**265.819**	**438.077**
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		70.592	-	70.592	42.291	-	42.291
4.3	Funds Provided Under Repurchase Agreements		240.028	185.428	425.456	129.967	265.819	395.786
V.	**MARKETABLE SECURITIES ISSUED (Net)**	**II-d**	**49.288**	-	**49.288**	**49.255**	-	**49.255**
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		49.288	-	49.288	49.255	-	49.255
VI.	**FUNDS**		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	**MISCELLANEOUS PAYABLES**		**53.151**	**206.292**	**259.443**	**92.320**	**66.902**	**159.222**
VIII.	**OTHER LIABILITIES**	**II-e**	**61.373**	**5.905**	**67.278**	**82.853**	**2.253**	**85.106**
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**	**27.528**	**1.958**	**29.486**	**15.132**	-	**15.132**
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		27.528	1.958	29.486	15.132	-	15.132
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	**PROVISIONS**	**II- h**	**85.008**	**73.726**	**158.734**	**81.733**	**59.435**	**141.168**
12.1	General Loan Loss Provision		36.460	53.785	90.245	38.681	38.816	77.497
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		29.558	-	29.558	26.817	-	26.817
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		18.990	19.941	38.931	16.235	20.619	36.854
XIII.	**TAX LIABILITY**	**II-i**	**38.216**	-	**38.216**	**23.687**	-	**23.687**
13.1	Current Tax Liability		24.420	-	24.420	23.687	-	23.687
13.2	Deferred Tax Liability		13.796	-	13.796	-	-	-
XIV.	**PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**	**II-j**	-	-	-	-	-	-
14.1	Held for Resale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	**SUBORDINATED LOANS**	**II-k**	-	**1.057.478**	**1.057.478**	-	**438.893**	**438.893**
XVI.	**SHAREHOLDERS' EQUITY**	**II-l**	**1.097.572**	**(5.014)**	**1.092.558**	**1.013.359**	**(857)**	**1.012.502**
16.1	Paid-in Capital		900.000	-	900.000	900.000	-	900.000
16.2	Capital Reserves		32.810	(5.014)	27.796	20.270	(857)	19.413
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(872)	(6.999)	(7.871)	(1.521)	(857)	(2.378)
16.2.4	Tangible Assets Revaluation Reserve		16.127	-	16.127	15.122	-	15.122
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)		19.930	1.985	21.915	9.216	-	9.216
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(2.375)	-	(2.375)	(2.547)	-	(2.547)
16.3	Profit Reserves		93.089	-	93.089	87.205	-	87.205
16.3.1	Legal Reserves		20.178	-	20.178	19.107	-	19.107
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		72.911	-	72.911	68.098	-	68.098
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		71.673	-	71.673	5.884	-	5.884
16.4.1	Prior Years' Income or (Loss)		-	-	-	(46.285)	-	(46.285)
16.4.2	Current Year Income or (Loss)		71.673	-	71.673	52.169	-	52.169
16.5	Minority Shares		-	-	-	-	-	-
	TOTAL LIABILITIES		**4.783.597**	**10.310.548**	**15.094.145**	**3.589.913**	**7.983.204**	**11.573.117**

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

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

BURGAN BANK A.Ş.
CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

II.	OFF-BALANCE SHEET		(31/12/2016)			(31/12/2015)		
		Note (Section Five)Five)	TL	FC	Total	TL	FC	Total
A	**OFF-BALANCE SHEET COMMITMENTS (I+II+III)**		**6.317.735**	**17.474.566**	**23.792.301**	**6.824.401**	**12.871.473**	**19.695.874**
I.	**GUARANTEES AND WARRANTIES**	**III-a-2-3**	**734.697**	**1.247.539**	**1.982.236**	**631.672**	**912.483**	**1.544.155**
1.1	Letters of Guarantee		730.919	853.508	1.584.427	628.292	596.943	1.225.235
1.1.1	Guarantees Subject to State Tender Law		7.398	4.575	11.973	7.486	26.218	33.704
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		723.521	848.933	1.572.454	620.806	570.725	1.191.531
1.2	Bank Acceptances		3.750	126.967	130.717	3.352	93.928	97.280
1.2.1	Import Letter of Acceptance		3.750	126.967	130.717	3.352	93.928	97.280
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	256.635	256.635	-	195.057	195.057
1.3.1	Documentary Letters of Credit		-	256.635	256.635	-	195.057	195.057
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		28	-	28	28	-	28
1.8	Other Guarantees		-	10.429	10.429	-	26.555	26.555
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**III-a-1**	**625.226**	**392.275**	**1.017.501**	**677.279**	**275.640**	**952.919**
2.1	Irrevocable Commitments		625.226	392.275	1.017.501	677.279	275.640	952.919
2.1.1	Asset Purchase and Sales Commitments		184.868	392.275	577.143	220.061	275.640	495.701
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		105.005	-	105.005	128.409	-	128.409
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		302.867	-	302.867	299.665	-	299.665
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		17.475	-	17.475	25.825	-	25.825
2.1.10	Promotion Commitments for Credit Cards and Banking Services		14	-	14	19	-	19
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		-	-	-	3.300	-	3.300
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**III-b**	**4.957.812**	**15.834.752**	**20.792.564**	**5.515.450**	**11.683.350**	**17.198.800**
3.1	Hedging Derivative Financial Instruments		587.700	2.115.800	2.703.500	248.580	736.192	984.772
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		587.700	2.115.800	2.703.500	248.580	736.192	984.772
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.370.112	13.718.952	18.089.064	5.266.870	10.947.158	16.214.028
3.2.1	Forward Foreign Currency Buy/Sell Transactions		329.245	686.909	1.016.154	374.864	949.719	1.324.583
3.2.1.1	Forward Foreign Currency Transactions-Buy		205.259	297.660	502.919	200.408	460.907	661.315
3.2.1.2	Forward Foreign Currency Transactions-Sell		123.986	389.249	513.235	174.456	488.812	663.268
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		2.691.398	8.602.947	11.294.345	2.902.323	6.961.022	9.863.345
3.2.2.1	Foreign Currency Swap-Buy		1.283.949	1.201.567	2.485.516	988.804	1.853.741	2.842.545
3.2.2.2	Foreign Currency Swap-Sell		967.449	1.563.264	2.530.713	1.473.519	1.390.415	2.863.934
3.2.2.3	Interest Rate Swap-Buy		220.000	2.919.058	3.139.058	220.000	1.858.433	2.078.433
3.2.2.4	Interest Rate Swap-Sell		220.000	2.919.058	3.139.058	220.000	1.858.433	2.078.433
3.2.3	Foreign Currency, Interest rate and Securities Options		1.347.249	4.429.096	5.776.345	1.988.329	3.036.417	5.024.746
3.2.3.1	Foreign Currency Options-Buy		734.860	2.151.650	2.886.510	985.139	1.524.640	2.509.779
3.2.3.2	Foreign Currency Options-Sell		612.389	2.277.446	2.889.835	1.003.190	1.511.777	2.514.967
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		2.220	-	2.220	1.354	-	1.354
B.	**CUSTODY AND PLEDGES RECEIVED (IV+V+VI)**		**30.083.751**	**20.258.797**	**50.342.548**	**24.767.132**	**14.305.360**	**39.072.492**
IV.	**ITEMS HELD IN CUSTODY**		**1.541.650**	**136.089**	**1.677.739**	**1.600.255**	**117.865**	**1.718.120**
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		488.524	31.344	519.868	621.314	18.910	640.224
4.3	Cheques Received for Collection		985.735	85.790	1.071.525	843.730	83.272	927.002
4.4	Commercial Notes Received for Collection		67.391	18.955	86.346	105.083	15.683	120.766
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	30.128	-	30.128
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES RECEIVED**		**28.542.101**	**20.119.716**	**48.661.817**	**23.165.927**	**14.175.131**	**37.341.058**
5.1	Marketable Securities		2.650	-	2.650	1.043	-	1.043
5.2	Guarantee Notes		18.791.720	9.532.145	28.323.865	16.761.580	8.098.175	24.859.755
5.3	Commodity		963.418	9.139	972.557	677.707	8.807	686.514
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		8.264.710	7.295.770	15.560.480	5.399.915	4.197.673	9.597.588
5.6	Other Pledged Items		519.603	3.282.662	3.802.265	325.682	1.870.476	2.196.158
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		-	**2.992**	**2.992**	**950**	**12.364**	**13.314**
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		**36.401.486**	**37.733.363**	**74.134.849**	**31.591.533**	**27.176.833**	**58.768.366**

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

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

BURGAN BANK A.Ş.
CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

III.	INCOME STATEMENT INCOME AND EXPENSE ITEMS	Note (Section Five)	01/01/2016-31/12/2016	01/01/2015-31/12/2015
I.	**INTEREST INCOME**	**IV-a**	**1.246.480**	**924.709**
1.1	Interest on Loans		831.389	687.988
1.2	Interest Received from Reserve Requirements		9.570	3.835
1.3	Interest Received from Banks		3.321	3.695
1.4	Interest Received from Money Market Transactions		7.612	5.670
1.5	Interest Received from Marketable Securities Portfolio		42.378	35.358
1.5.1	Trading Financial Assets		5.554	3.650
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		34.985	31.708
1.5.4	Held-to-maturity Investments		1.839	-
1.6	Financial Lease Income		90.474	68.064
1.7	Other Interest Income	IV-1	261.736	120.099
II.	**INTEREST EXPENSE (-)**	**IV-b**	**826.287**	**559.611**
2.1	Interest on Deposits		396.924	285.342
2.2	Interest on Funds Borrowed		134.004	92.326
2.3	Interest Expense on Money Market Transactions		24.718	14.099
2.4	Interest on Securities Issued		10.383	4.692
2.5	Other Interest Expenses	IV-1	260.258	163.152
III.	**NET INTEREST INCOME (I + II)**		**420.193**	**365.098**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**40.113**	**45.554**
4.1	Fees and Commissions Received		48.671	58.178
4.1.1	Non-cash Loans		14.377	11.722
4.1.2	Other		34.294	46.456
4.2	Fees and Commissions Paid (-)		8.558	12.624
4.2.1	Non-cash Loans (-)		605	555
4.2.2	Other (-)	IV-l	7.953	12.069
V.	**DIVIDEND INCOME**	**IV-c**	**627**	**542**
VI.	**TRADING INCOME / (LOSS) (Net)**	**IV-d**	**24.548**	**32.688**
6.1	Trading Gains/(Losses) on Securities		7.979	4.938
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		12.605	(9.028)
6.3	Foreign Exchange Gains/(Losses)		3.964	36.778
VII.	**OTHER OPERATING INCOME**	**IV-e**	**19.476**	**19.347**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**504.957**	**463.229**
IX.	**PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)**	**IV-f**	**76.730**	**92.382**
X.	**OTHER OPERATING EXPENSES (-)**	**IV-g**	**330.488**	**301.919**
XI.	**NET OPERATING INCOME/(LOSS) (VIII+IX+X)**		**97.739**	**68.928**
XII.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**	**-**
XIII.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**-**	**-**
XIV.	**INCOME/(LOSS) ON NET MONETARY POSITION**		**-**	**-**
XV.	**INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+…+XIV)**	**IV-h**	**97.739**	**68.928**
XVI.	**TAX PROVISION FOR CONTINUING OPERATIONS (-)**	**IV-i**	**26.066**	**16.759**
16.1	Current Tax Provision		**13.108**	10.693
16.2	Deferred Tax Provision		**12.958**	6.066
XVII.	**NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+ XVI)**	**IV-j**	**71.673**	**52.169**
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**	**71.673**	**52.169**
	Earnings / (Loss) per share (1.000 nominal in TL full)		0,796	0,580

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

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

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE 31 DECEMBER 2016 AND 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

IV.	STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	31/12/2016	31/12/2015
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(8.130)	(4.423)
II.	REVALUATION DIFFERENCES OF TANGIBLE ASSETS	1.256	2.419
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)	15.874	11.520
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(*)	215	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	1011	(383)
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(1.844)	(1.826)
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	8.382	7.307
XI.	CURRENT PERIOD INCOME/LOSS	71.673	52.169
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	3.634	1.419
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	68.039	50.750
XII.	TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	80.055	59.476

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

PRIOR PERIOD 31/12/2015	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Interest	Minority Interest	Total Shareholders' Equity
I. Prior Period End Balance (31/12/2014)	**II-l**	**900.000**	**-**	**-**	**-**	**18.397**	**-**	**51.235**	**(2.492)**	**17.824**	**(46.285)**	**1.160**	**13.187**	**-**	**-**	**-**	**953.026**	**-**	**953.026**
Changes in the Period																			
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	**(3.538)**	-	-	-	-	**(3.538)**	-	**(3.538)**
IV. Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	**9.216**	-	**9.216**	-	**9.216**
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	9.216	-	9.216	-	9.216
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	**1.935**	-	-	-	**1.935**	-	**1.935**
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI Other		-	-	-	-	-	-	-	**(306)**	-	-	-	-	-	-	-	**(306)**	-	**(306)**
XVII Current Year Income or Loss		-	-	-	-	-	-	-	-	**52.169**	-	-	-	-	-	-	**52.169**	-	**52.169**
XVIII Profit Distribution		-	-	-	-	**710**	-	**16.863**	**251**	**(17.824)**	-	-	-	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves			-			710		16.863	251	(17.824)	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III..+XVIII)		**900.000**	**-**	**-**	**-**	**19.107**	**-**	**68.098**	**(2.547)**	**52.169**	**(46.285)**	**(2.378)**	**15.122**	**-**	**9.216**	**-**	**1.012.502**	**-**	**1.012.502**

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	CURRENT PERIOD 31/12/2016	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Interest	Minority Interest	Total Shareholders' Equity
I.	**Prior Period End Balance (31/12/2015)**	**II-l**	**900.000**	**-**	**-**	**-**	**19.107**	**-**	**68.098**	**(2.547)**	**52.169**	**(46.285)**	**(2.378)**	**15.122**	**-**	**9.216**	**-**	**1.012.502**	**-**	**1.012.502**
	Changes in the Period																			
II.	**Increase/Decrease due to the Merger**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Marketable Securities Valuation Differences**		-	-	-	-	-	-	-	-	-	-	**(6.427)**	-	-	-	-	**(6.427)**	-	**(6.427)**
IV.	**Hedging Reserves (Effective Portion)**		-	-	-	-	-	-	-	-	-	-	-	-	-	**12.699**	-	**12.699**	-	**12.699**
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	12.699	-	12.699	-	12.699
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Revaluation Differences of Tangible Assets**		-	-	-	-	-	-	-	-	-	-	-	**1.005**	-	-	-	**1.005**	-	**1.005**
VI.	**Revaluation Differences of Intangible Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Foreign Exchange Difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Changes due to the Disposal of Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Changes due to the Reclassification of the Assets**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Effects of Changes in Equity of Investments in Associates**		-	-	-	-	-	-	-	-	-	-	**934**	-	-	-	-	**934**	-	**934**
XII.	**Capital Increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share Premium**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	**Share Cancellation Profits**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	**Adjustment to Share Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI	**Other**		-	-	-	-	-	-	-	**172**	-	-	-	-	-	-	-	**172**	-	**172**
XVII	**Current Year Income or Loss**		-	-	-	-	-	-	-	-	**71.673**	-	-	-	-	-	-	**71.673**	-	**71.673**
XVIII	**Profit Distribution**		-	-	-	-	**1.071**	-	**4.813**	-	**(52.169)**	**46.285**	-	-	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves		-	-	-	-	1.071	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (I+..+XVIII)		**900.000**	**-**	**-**	**-**	**20.178**	**-**	**72.911**	**(2.375)**	**71.673**	**-**	**(7.871)**	**16.127**	**-**	**21.915**	**-**	**1.092.558**	**-**	**1.092.558**

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

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

VI .	STATEMENT OF CASH FLOWS	Note	31/12/2016	31/12/2015
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**(33.328)**	**49.007**
1.1.1	Interest received		1.125.527	848.530
1.1.2	Interest paid		(816.656)	(550.817)
1.1.3	Dividend received		627	542
1.1.4	Fees and commissions received		44.703	51.660
1.1.5	Other income		-	-
1.1.6	Collections from previously written-off loans and other receivables		86.450	64.811
1.1.7	Payments to personnel and service suppliers		(172.980)	(161.848)
1.1.8	Taxes paid		(15.507)	(245)
1.1.9	Other	VI-b	(285.492)	(203.626)
1.2	**Changes in operating assets and liabilities**		**(270.738)**	**(207.338)**
1.2.1	Net (increase)/decrease in trading securities		6.032	42.516
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net increase/(decrease) in due from banks		(186.635)	(328.318)
1.2.4	Net (increase)/decrease in loans		(2.431.890)	(1.688.702)
1.2.5	Net (increase)/decrease in other assets		(433.122)	(135.005)
1.2.6	Net (increase)/decrease in bank deposits		6.755	(90.475)
1.2.7	Net increase/(decrease) in other deposits		1.623.648	1.358.422
1.2.8	Net increase/(decrease) in funds borrowed		1.011.652	686.028
1.2.9	Net increase/(decrease) in payables		-	-
1.2.10	Net increase/(decrease) in other liabilities	VI-b	132.822	(51.804)
I.	**Net cash provided from banking operations**		**(304.066)**	**(158.331)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from investing activities**		**(94.015)**	**37.216**
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		(32.727)	(37.243)
2.4	Disposals of property and equipment		144	7.021
2.5	Cash paid for purchase of investments available-for-sale		(351.662)	(510.931)
2.6	Cash obtained from sale of investments available-for-sale		451.837	578.369
2.7	Cash paid for purchase of investment securities		(161.607)	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from financing activities**		**527.753**	**49.100**
3.1	Cash obtained from funds borrowed and securities issued		677.950	49.100
3.2	Cash used for repayment of funds borrowed and securities issued		(150.000)	-
3.3	Issued capital instruments		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		-	-
3.6	Other		(197)	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**45.407**	**13.347**
V.	**Net (increase)/decrease in cash and cash equivalents (I+II+III+IV)**		**175.079**	**(58.668)**
VI.	**Cash and cash equivalents at beginning of the period**		**574.482**	**633.150**
VII.	**Cash and cash equivalents at end of the period**		**749.561**	**574.482**

BURGAN BANK A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

VII.	PROFIT APPROPRIATION STATEMENT	(31/12/2016)(*)	(31/12/2015)(**)
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	CURRENT YEAR INCOME	91.362	65.117
1.2	TAXES AND DUTIES PAYABLE (-)	19.689	12.948
1.2.1	Corporate Tax (Income tax)	6.478	3.598
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	13.211	9.350
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**71.673**	**52.169**
1.3	PRIOR YEAR LOSSES (-)	-	46.285
1.4	FIRST LEGAL RESERVES (-)	-	1.071
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	-	**4.813**
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	-	4.813
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*)TL 5.026 that seen in net profit, TAS 27 basis within the framework of the principles of the Bank's equity method applied the subsidiaries that can not be subject to distribution of net profit / loss refers to the amount. 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 2016. Does not include the effects of TAS 27 standard.

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION:

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

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by BRSA, Turkish Commercial Code and Tax Legislation.The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012 and changes in the related communiqué.

The consolidated financial statements have been prepared in TL, under the historical cost convention as modified, except for the financial assets and liabilities, which are carried at fair value.

Amounts in the consolidated financial statments and related notes and explanations are expressed in thousand of Turkish Lira unless otherwise stated.

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

The amendments of TAS and TFRS which have entered into force as of 1 January 2016 have no material impact on the the parent bank's accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (extracted TAS 9 Financial Instruments Standard version of 2011), which have been published as of reporting date but havenot been effective yet, have no impact on the accounting policies, financial condition and performance of the Parent Bank. The Parent Bank assesses the impact of TFRS 9 Financial Instruments standard.The accounting policies and valuation principles applied in the preparation of consolidated financial statements are determined and applied in accordance with TAS and TFRS and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2015. Those accounting policies and valuation principles are explained in Notes II to XXVIII below.

b. Explanations on changes in accounting policies and financial statement presentation:

None.

ACCOUNTING POLICIES (Continued)

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

The Group's core business activities include retail banking, commercial banking, SME banking, corporate banking, private banking, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services.The general strategy of the Group of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. Other than deposits, the Group's most important funding sources are equity, marketable securities issued, money market borrowings and mostly borrowings from foreign financial institutions. The Group can also sustain a lengthened liability structure by using long-term borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy.The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities 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 Parent Bank's foreign currency bid rates prevailing at the balance sheet date and related gains. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses".

As of 31 December 2016, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,5192 and TL 3,7099 and TL for USD and EURO respectively.

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

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

Consolidated financial statements are prepared in accordance with the "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10"). Consolidation principles for subsidiaries:

Subsidiaries are entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method on the grounds of materiality principle considering their operations, asset and equity sizes. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control means, directly or indirectly, holding the majority of the capital of an enterprise or although not having this majority, by holding privileged shares; or based on agreements made with other shareholders, holding the majority of the voting power or somehow having the power of dismissal or appointment of the majority of the members of the board of directors regarding the Parent Bank.

ACCOUNTING POLICIES (Continued)

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

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, income, expense and off-balance sheet items.

The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intergroup balances and intergroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group. Minority interests are presented in the consolidated balance sheet, in the shareholder's equity. Minority interests are presented separately in the Group's income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent Bank.

The Group has no joint ventures as of 31 December 2016 and 31 December 2015.

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

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

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

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

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

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

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

ACCOUNTING POLICIES (Continued)

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

As of 31 December 2016, The Parent Bank applies cash flow hedge accounting through cross and interest currency swaps to protect against changing in interest rate of FC deposit that is the average maturity of up to 3 months.

The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

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

V. 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 Group ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

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

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS:

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

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

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

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

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

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

b. Held-to-maturity financial assets:

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

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

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

c. Loans and receivables:

Loans and receivables are financial assets which are created by providing money, services or goods to a debtor. Loans and receivables originated by the Group are carried initially at cost and subsequently recognized at the amortized cost value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

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

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

d. Available-for-sale financial assets:

Financial assets available-for-sale consist of financial assets other than "Loans and receivables", "Held-tomaturity", "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 recognized in the shareholders' equity as "Marketable Securities Valuation Reserve", until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. When calculating CPI Indexed government bonds' discounted values, cash flows calculated through CBRT's monthly expected CPI bulletin indices are used.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

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

ACCOUNTING POLICIES (Continued)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

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

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

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

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

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

Assets held-for-resale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2006, No. 26333.

The Group has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (i.e. trademarks) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquiree before the business combination; if it can be distinguished from the goodwill and if the asset's fair value can be measured reliably.

ACCOUNTING POLICIES (Continued)

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS (Continued):

a. Goodwill

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to depreciation, but is tested annually for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36"). For the purpose of impairment testing, goodwill acquired in a business combination must be allocated from the acquisition date to each of the acquirer's cash generating units that are expected to benefit from the synergies of the business combination. Since the Group has recognised a goodwill impairment of TL 63.973 regarding the goodwill from acquisition of Burgan Yatırım Menkul Değerler A.Ş. based on the assessment done as of 31 December 2012, the net carrying value of goodwill in the consolidated financial statements is null as of 31 December 2016.

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.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

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

The Group has adopted the "revaluation method" in accordance with the "Communiqué Regarding the Principles and Procedures for the Tangible Assets ("TAS 16")" for its buildings. Independent expert appraisal values 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	5-50%

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.

ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued):

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset. The Group has implemented the "revaluation method" in accordance with the "Communiqué Regarding the Principles and Procedures for the Tangible Assets ("TAS 16")" while revaluating the buildings.

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 recognized. Liabilities arising from the leasing transactions are included in "Financial Lease Payables" on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Group realizes financial leasing transactions in the capacity of "lessor" by means of Burgan Finansal Kiralama A.Ş. which is the consolidated subsidiary of the Group. The asset subject to financial leasing is disclosed as net financial leasing receivable in the balance sheet. The interest income is determined in a way to form a fixed revenue return ratio using net investment method related to leased asset of the lessor, and the portion of interest income which does not take part in the related term is followed under unearned interest income account.

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

The Group provides specific provisions for lease receivables based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining Provisions for Financial Lease Receivables, Factoring Receivables and Receivables of Financing Companies" published in the Official Gazette No. 26588 dated 20 July 2007 and changes in the related communiqué.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

Provisions and contingent liabilities except for the specific and general provisions recognized for loans and other receivables are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the "Matching principle". When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a "Contingent" liability exists and it is disclosed in the related notes to the financial statements.

ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability.

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Group, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement 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 Group has recognised the actuarial gains and losses that occur in related reporting periods in the "Statement of Income and Expense Items Accounted in Equity" and presented in "Other Reserves" item in the Shareholders Equity section.

ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON TAXATION :

a. Current tax:

Many clauses of Corporate Tax Law No. 5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% for 2016 (2015: 20%). The corporate tax rate is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five 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 Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements for the Parent Bank and for each consolidated subsidiary separately.

ACCOUNTING POLICIES (Continued)

XIX. EXPLANATIONS ON BORROWINGS:

The Group's fund resources in essence consist of borrowing from foreign financial institutions, issued securities and money market debt.

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortized cost" using the effective interest method.

The Group utilizes various hedging techniques to minimize the currency, interest rate and liquidity risks of its financial liabilities. No convertible bonds have been issued by the Group.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

Transaction costs regarding the issuance of share certificates are accounted under shareholders' equity after eliminating the tax effects.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

Avalized drafts and acceptances shown as liabilities against assets are included in the "Off-balance sheet commitments".

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2016 and 31 December 2015, the Group has no government grants.

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code ("TCC") the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

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

ACCOUNTING POLICIES (Continued)

XXIV. EXPLANATIONS ON EARNINGS PER SHARE:

Earnings per share disclosed in the income statement are calculated by dividing net profit/ (loss) for the year to the weighted average number of shares outstanding during the period concerned.

	31 December 2016	31 December 2015
Net Income / (Loss) to be Appropriated to Ordinary Shareholders	71.673	52.169
Weighted Average Number of Issued Ordinary Shares (Thousand)	90.000.000	90.000.000
Earnings Per Ordinary Shares (Disclosed in full TL)	**0,796**	**0,580**

Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect to bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

XXV. EXPLANATIONS ON RELATED PARTIES:

Parties defined in article 49 of the Banking Law No.5411, Group's senior management, and Board Members are deemed as related parties. Transactions regarding related parties are presented in Note V of Section Five.

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

Operational field is distinguishable section of the Group that has different characteristics from other operational fields per earning and conducts the presentation of service group, associated bank products or a unique product. Operating segments are disclosed in Note VIII in Section Four.

XXVIII. RECLASSIFICATIONS:

None.

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON 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 2016 Bank’s total capital has been calculated as TL 2.147.530, Capital adequacy ratio is 15,84%. As of 31 December 2015, Bank’s total capital amounted to TL 1.462.534, Capital adequacy ratio was 14,49% calculated pursuant to former regulations.

a. Information about total capital:

	Current Period 31 December 2016	**Amounts related to treatment before 1/1/2014(*)**
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	93.273	
Gains recognized in equity as per TAS	39.053	
Profit	71.673	
Current Period Profit	71.673	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1.103.999	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	11.441	
Improvement costs for operating leasing	18.835	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	29.338	48.896
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	21.915	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provison	-	
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	**81.529**	
Total Common Equity Tier 1 Capital	**1.022.470**	

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

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

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

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Eguity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	19.558	
Net deferred tax asset/liability which is not deducted from Common Eguity 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)	**1.002.912**	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	1.055.760	
Provisions (Article 8 of the Regulation on the Equity of Banks)	90.245	
Tier II Capital Before Deductions	1.146.005	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	835	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	835	
Total Tier II Capital	**1.145.170**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**2.148.082**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	552	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Eguity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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

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

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	2.147.530	
Total risk weighted amounts	13.553.573	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	7,54	
Tier 1 Capital Adequacy Ratio	7,40	
Capital Adequacy Ratio	15,84	
BUFFERS		
Total buffer requirement	0,625	
Capital conservation buffer requirement	0,625	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	3,04	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	26.176	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	90.245	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	90.245	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	
Upper limit for Additional Tier I Capital subjected to temprorary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temprorary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temprorary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temprorary Article 4	-	

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

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

I. EXPLANATIONS ON EQUITY (Continued):

Prior Period:

CORE CAPITAL	31 December 2015 (**)
Paid-in capital following all debts in terms of claim in case of the Bank's litigation	900.000
Share premium	-
Share cancellation profits	-
Reserves	87.389
Gains recognized in equity as per TAS	24.338
Profit	52.169
Current Year Income	52.169
Prior Years Income	-
Provisions for possible risks	-
Bonus Shares from Investment in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	-
Seed Capital Before Deductions	**1.063.896**
Deductions From Seed Capital	-
Portion of the sum of net loss for the period and accumulated losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-).	51.394
Leasehold improvements (-)	18.082
Goodwill or other intangible assets and deferred tax liability related to these items (-)	18.022
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th article of the Law (-)	-
Direct and indirect investments in the seed capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% or more of the seed capital of the bank (-).	-
Portion of the total of net long positions of investment made in seed capital elements of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Portion of offering mortgage service rights exceeding 10% of the seed capital (-).	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the seed capital (-).	-
Amount exceeding 15% of the seed capital pursuant to Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion the total of net long positions of investment made in seed capital elements of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Exceeding amount resulting from offering mortgage service rights (-).	-
Exceeding amount resulting from deferred tax assets based on temporary differences (-).	-
Other items defined by BRSA (-)	-
Amount to be discounted from the seed capital in the case that adequate additional principal capital or supplementary capital is not available (-)	-
Total Deductions From Seed Capital	**87.498**
Total Seed Capital	**976.398**
ADDITIONAL CORE CAPITAL	-
Capital amount and related premiums corresponding to preference shares that are not included to seed capital	-
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions From Additional Core Capital	-
Direct and indirect investments in the additional core capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Portion of the total of net long positions of investment made in additional principal capital and supplementary capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-)	-
Other items defined by BRSA (-)	-
Amount to be discounted from the additional principal capital in the case that adequate supplementary capital is not available (-)	-
Total Deductions From Additional Core Capital	-
Total Additional Core Capital	-
Deductions From Core Capital	27.034
Portion of goodwill and other intangible assets and the deferred tax liabilities related to these which is not discounted from the seed capital pursuant to paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	27.034
Portion of net deferred tax assets/liabilities which is not discounted from the seed capital pursuant to paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Total Core Capital	949.364
SUPPLEMENTARY CAPITAL	-
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied before 1.1.2014) (*)	436.237
Sources pledged to the bank by shareholders to be used in capital increases of the bank	-
General Provisions	77.497
Third party shares in Supplementary Capital	
Supplementary Capital Before Deductions	**513.734**
Deductions From Supplementary Capital	-
Direct and indirect investments in the supplementary capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Portion of the total of net long positions of investment made in additional principal capital and supplementary capital elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-).	-
Other items defined by BRSA (-)	-
Total Deductions From Supplementary Capital	-
Total Supplementary Capital	**513.734**
DEDUCTIONS FROM CAPITAL	**564**
Loans granted contrary to the 50th and 51th article of the Law (-)	-
Net book value of amounts exceeding the limit mentioned in paragraph one of article 57 of the Code and property and real property acquired by the banks because of their receivables which could not be disposed of even though five years have passed since the date of their acquisition pursuant to the same article (-)	341
Loans given to banks and financial institutions, including those established abroad, and to eligible shareholders of the bank, and investments made in the borrowing instruments exported by them (-).	223
Amount to be discounted from equity in accordance with paragraph two of article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-).	-
Other items defined by BRSA (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank which is not discounted from the additional principal capital and supplementary capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of investment made directly or indirectly in additional principal capital or supplementary capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated which is not discounted from the additional principal capital and supplementary capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of investment made in seed capital elements, deferred tax assets based on temporary differences and offering mortgage service rights of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated to be discounted from the seed capital pursuant to subparagraphs (1) and (2) of paragraph 2 of the Provisional Article 2 of the Regulation on the Equity of Banks which is not discounted from the seed capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation (-)	-
EQUITY	**1.462.534**
Amounts Below the Exceeding Limits in the Discount Principles	-
Amounts resulting from the net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated	-
Amounts resulting from the net long positions of investment made in seed capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated	-
Amount resulting from offering mortgage service rights	-
Amount resulting from deferred tax assets based on temporary differences	21.753

(*) The subordinated loan used in the Equity account in accordance with the permission of the Banking Regulation and Supervision Agency dated 2 December 2013 possesses the nature stated in article 8 of the Regulation on the Equity of Banks which took effect on 1 January 2014. TL 1.478 thousand of this amount recognized by deduction from the subordinated loans consists of cash loans provided to the risk group in which the bank is included.
(**) Shareholders equity calculation is revised according to the regulation valid as of 31 March 2016 entitled "Regulation for changing the banks equity code of conduct". Therefore the information of the previous term is calculated based on the abrogated adjustments.

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

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

I. EXPLANATIONS ON EQUITY (Continued):

b. Information on instruments related to equity estimation

Details on Subordinated Liabilities		
Issuer	Burgan Bank K.P.S.C.	Burgan Bank K.P.S.C.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No
Eligible at stand-alone / concolidated	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)	527.880	527.880
Par value of instrument (USD)	150.000	150.000
Accounting classification	Liability-Subordinated Loans-amortised cost	Liability-Subordinated Loans-amortised cost
Original date of issuance	6 December 2013	30 March 2016
Perpetual or dated	Dated	Dated
Original maturity date	10 Years	10 Years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends	3 Months	3 Months
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	LIBOR+3,75	LIBOR+3,75
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature	None	None
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
In compliance with article number 7 and 8 of "Own fund regulation"	None	None
Details of incompliances with article number 7 and 8 of "Own fund regulation"	None	None

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

II. EXPLANATIONS ON CREDIT RISK:

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

In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the rating procedures. Main criteria are geographical and sectoral concentrations. The sectoral concentrations for loans are monitored closely in accordance with the Parent Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored on a regular basis.

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

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

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

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

The loans are considered as impaired receivables after 90 days delay from the reporting period or the decision of the bank that the debtor loses its credibility. According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves," group II loans and 90 day-delayed loans are considered as non-performing loan and general provision is allocated.

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

Risk Group	**Amount**	**Average**
Claims on sovereigns and Central Banks	2.025.747	1.781.641
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	1.000	261
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	1.221.755	864.576
Claims on corporates	9.963.105	8.707.376
Claims included in the regulatory retail portfolios	263.926	313.505
Claims secured by residential property	3.811.471	3.126.028
Past due loans	132.661	120.443
Higher risk categories decided by the Board	-	11.807
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	491.747	493.817
Total	**17.911.412**	**15.419.454**

The Parent Bank's derivative transactions are mainly composed of foreign exchange and interest rate swaps money and interest options and forward transactions. The credit risks of these products are managed by deducting them from the company's credit limit, which is specified only for these types of transactions, in proportion to the term of the transaction. Market risk is managed by the Treasury, Capital market and Financial Institutions Group.
In forward transactions no type of coercive action outside of the other party's consent is taken.
Indemnified non-cash credits are subjected to the same risk weight as the credits which are past due date.

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

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

In the current period, the share of the Group receivables due to cash loans extended to its top 100 and top 200 customers are 67%, 77% (31 December 2015: 61% and 71%) within the total cash loan portfolio.

In the current period, the share of the Group receivables due to non-cash loans extended to its top 100 and top 200 customers are 49%, 63% (31 December 2015: 38% and 53%) within the total non-cash loans portfolio.

In the current period, the share of the Group receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 64%, 75% (31 December 2015: 57% and 68%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2016, the Group's general provision for loans amounting to TL 90.245 (31 December 2015: TL 77.497).

a. Information on types of loans and specific provisions:

31 December 2016	**Corporate**	**Consumer**	**Credit Cards**	**Leasing Receivables**	**Factoring Receivables**	**Total**
Standard Loans	9.679.878	237.324	4.824	1.093.054	8	11.015.088
Loans under close monitoring	657.589	17.740	779	216.670	819	893.597
Non-performing loans	225.038	3.138	1.234	46.818	1.807	278.035
Specific provision (-)	116.147	1.370	1.045	25.956	856	145.374
Total	**10.446.358**	**256.832**	**5.792**	**1.330.586**	**1.778**	**12.041.346**

31 December 2015	**Corporate**	**Consumer**	**Credit Cards**	**Leasing Receivables**	**Factoring Receivables**	**Total**
Standard Loans	7.523.793	127.961	8.617	895.080	6	8.555.457
Loans under close monitoring	488.655	10.561	1.484	33.647	1.667	536.014
Non-performing loans	201.151	3.343	2.044	30.310	3.767	240.615
Specific provision (-)	112.259	3.339	1.571	17.830	1.888	136.887
Total	**8.101.340**	**138.526**	**10.574**	**941.207**	**3.552**	**9.195.199**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2016	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Past due 0-30 days	645.201	19.105	779	228.871	819	894.775
Past due 30-60 days	20.270	6.236	-	55.165	-	81.671
Past due 60-90 days	28.079	2.369	-	87.407	-	117.855
Total	**693.550**	**27.710**	**779**	**371.443**	**819**	**1.094.301**

31 December 2015	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Past due 0-30 days	468.387	10.274	1.497	136.685	1.667	618.510
Past due 30-60 days	23.318	3.259	120	43.159	-	69.856
Past due 60-90 days	14.822	2.129	34	40.526	-	57.511
Total	**506.527**	**15.662**	**1.651**	**220.370**	**1.667**	**745.877**

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

31 December 2016 Moody's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Baa1(*)	27.960	527.074	161.607	**716.641**
Total	**27.960**	**527.074**	**161.607**	**716.641**

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

31 December 2015 Moody's Rating	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Baa3(*)	30.507	638.915	-	**669.422**
Total	**30.507**	**638.915**	**-**	**669.422**

(*) Consists of Turkish Republic government bonds and treasury bills.

d. Information on rating concentration:

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

	31 December 2016	31 December 2015
Above average (%)	8,12	10,57
Average (%)	67,53	67,23
Below average (%)	22,48	20,94
Not rated (%)	1,87	1,26

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2016	Corporate Loans	Consumer Loans	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Loans under close monitoring	271.606	9.398	88	-	-	281.092
Non-performing loans	97.476	1.097	213	10.436	1.268	110.490
Total	**369.082**	**10.495**	**301**	**10.436**	**1.268**	**391.582**

31 December 2015	Corporate Loans	Consumer Loans	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Loans under close monitoring	325.021	3.986	494	5.513	1.691	336.705
Non-performing loans	88.943	6	384	12.170	1.793	103.296
Total	**413.964**	**3.992**	**878**	**17.683**	**3.484**	**440.001**

Type of Collaterals	31 December 2016	31 December 2015
Real-estate mortgage	364.353	131.607
Pledge	23.353	71.446
Cash and cash equivalents	3.876	35.444
Total	**391.582**	**238.497**

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
31 December 2016																		
Domestic	2.044.031	-	952	-	-	591.440	8.978.541	208.234	3.759.130	132.661	-	-	-	-	-	-	336.063	16.051.052
EU Countries	-	-	-	-	-	597.940	260	37	1	-	-	-	-	-	-	-	-	598.238
OECD Countries (**)	-	-	-	-	-	673	-	-	-	-	-	-	-	-	-	-	-	673
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	4.829	101.886	497	-	-	-	-	-	-	-	-	-	107.212
Other Countries	-	-	-	-	-	1.245	3.701	15	-	-	-	-	-	-	-	-	-	4.961
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2.044.031**	**-**	**952**	**-**	**-**	**1.196.127**	**9.084.388**	**208.783**	**3.759.131**	**132.661**	**-**	**-**	**-**	**-**	**-**	**-**	**336.063**	**16.762.136**

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

	Exposure Categories (*)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	**Total**
31 December 2015																	
Domestic	1.762.665	-	6	-	-	251.758	6.676.780	190.053	2.928.924	103.512	70.372	-	-	-	-	252.620	**12.236.690**
EU Countries	-	-	-	-	-	434.453	11.736	154	-	-	26	-	-	-	-	-	**446.369**
OECD Countries (**)	-	-	-	-	-	9.027	-	-	-	-	-	-	-	-	-	-	**9.027**
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	95.828	54.819	12	-	216	-	-	-	-	-	-	**150.875**
Other Countries	-	-	-	-	-	1.206	6.434	875	1.392	-	-	-	-	-	-	-	**9.907**
Associates, Subsidiaries and Joint –Ventures																	-
Unallocated Assets/Liabilities																	-
Total	**1.762.665**	**-**	**6**	**-**	**-**	**792.272**	**6.749.769**	**191.094**	**2.930.316**	**103.728**	**70.398**	**-**	**-**	**-**	**-**	**252.620**	**12.852.868**

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
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13. Securitization Positions
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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.

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

	Exposure Categories (*)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	**-**	**-**	**-**	**-**	**-**	**-**	**42.656**	**1.251**	**7.645**	**7.101**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**31.731**	**26.922**	**58.653**
Farming and Stockbreeding	-	-	-	-	-	-	32.275	740	2.519	7.101	-	-	-	-	-	-	-	22.125	20.510	42.635
Forestry	-	-	-	-	-	-	33	-	119	-	-	-	-	-	-	-	-	152	-	152
Fishery	-	-	-	-	-	-	10.348	511	5.007	-	-	-	-	-	-	-	-	9.454	6.412	15.866
Manufacturing	**-**	**-**	**5**	**-**	**-**	**-**	**2.924.685**	**18.259**	**709.919**	**51.763**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.089.208**	**2.615.423**	**3.704.631**
Mining and Quarrying	-	-	5	-	-	-	277.581	457	77.171	5.746	-	-	-	-	-	-	-	111.756	249.204	360.960
Production	-	-	-	-	-	-	2.110.299	17.787	601.849	45.919	-	-	-	-	-	-	-	952.994	1.822.860	2.775.854
Electricity, Gas and Water	-	-	-	-	-	-	536.805	15	30.899	98		-	-	-	-	-	-	24.458	543.359	567.817
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**2.448.820**	**8.208**	**1.458.525**	**16.162**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.178.378**	**2.753.337**	**3.931.715**
Services	**-**	**-**	**1**	**-**	**-**	**1.196.127**	**3.448.010**	**29.402**	**1.485.578**	**55.512**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.054.704**	**4.159.926**	**6.214.630**
Wholesale and Retail Trade	-	-	-	-	-	-	1.584.120	22.524	447.204	43.223	-	-	-	-	-	-	-	796.194	1.300.877	2.097.071
Hotel, Food and Beverage services	-	-	-	-	-	-	259.967	1.194	671.635	2.642	-	-	-	-	-	-	-	56.665	878.773	935.438
Transportation and Telecom	-	-	-	-	-	-	362.416	1.457	147.463	1.481	-	-	-	-	-	-	-	209.813	303.004	512.817
Financial Institutions	-	-	-	-	-	1.196.127	729.122	657	42.093	-	-	-	-	-	-	-	-	885.932	1.082.067	1.967.999
Real Estate and Rental Services	-	-	-	-	-	-	424.703	1.295	153.117	979	-	-	-	-	-	-	-	44.237	535.857	580.094
Self-employment Services	-	-	-	-	-	-	6.542	475	5.923	1.481	-	-	-	-	-	-	-	13.917	504	14.421
Educational Services	-	-	1	-	-	-	15.441	362	453	3.693	-	-	-	-	-	-	-	10.369	9.581	19.950
Health and Social Services	-	-	-	-	-	-	65.699	1.438	17.690	2.013	-	-	-	-	-	-	-	37.577	49.263	86.840
Other	**2.044.031**	**-**	**946**	**-**	**-**	**-**	**220.217**	**151.663**	**97.464**	**2.123**	**-**	**-**	**-**	**-**	**-**	**-**	**336.063**	**1.301.195**	**1.551.312**	**2.852.507**
Total	**2.044.031**	**-**	**952**	**-**	**-**	**1.196.127**	**9.084.388**	**208.783**	**3.759.131**	**132.661**	**-**	**-**	**-**	**-**	**-**	**-**	**336.063**	**5.655.216**	**11.106.920**	**16.762.136**

1. Conditional and unconditional exposures to central governments or central banks
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(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Bank.

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

	Term To Maturity				
Risk classifications	**1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**Over 1 Year**
Claims on sovereigns and Central Banks	121.197	30.531	60.525	63.611	476.152
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	300	652	-	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	587.145	223.191	97.854	4.770	266.172
Claims on corporates	1.485.358	691.206	892.897	1.032.593	4.982.034
Claims included in the regulatory retail portfolios	23.632	6.789	9.694	23.525	145.142
Claims secured by residential property	143.423	90.011	126.755	208.150	3.190.793
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	**2.361.055**	**1.042.380**	**1.187.725**	**1.332.649**	**9.060.293**

i. Information about the risk exposure categories:

As explained in the "Communiqué on Measurement and Assessment of Capital Adequacy of Banks," abovementioned receivables are calculated via third party ratings. Receivables from central governments or central banks are calculated according to the OECD's published country risks. OECD classification is used to determine the risk weights set by the regulations. When a receivable is not provided a grading, the Bank complies with the rules under the regulations.

j. Exposures by risk weights:

Risk Weights	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Deductions from Equity**
1.Exposures before Credit Risk Mitigation	656.263	304.491	525.856	4.893.230	209.910	10.152.857	19.529	835
2. Exposures after Credit Risks Mitigation(*)	1.095.117	345.958	523.511	4.606.859	198.051	9.973.110	19.530	835

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

Major Sectors / Counterparties	Credits			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	**11.166**	**6.692**	**60**	**4.065**
Farming and Stockbreeding	10.578	5.533	49	3.477
Forestry	532	131	1	532
Fishery	56	1.028	10	56
Manufacturing	**112.370**	**333.861**	**2.558**	**60.607**
Mining and Quarrying	17.380	7.185	55	11.634
Production	94.793	322.468	2.503	48.874
Electricity, Gas and Water	197	4.208	-	99
Construction	**39.752**	**258.026**	**1.753**	**23.590**
Services	**108.815**	**460.012**	**2.197**	**53.303**
Wholesale and Retail Trade	90.784	70.217	639	47.561
Accommodation and Dining	3.404	295.369	1.301	762
Transportation and Telecom	3.083	71.267	81	1.602
Financial Institutions	15	2.000	20	15
Real Estate and Rental Services	1.492	7.991	49	513
Professional Services	2.120	1.155	9	639
Educational Services	4.978	526	5	1.285
Health and Social Services	2.939	11.487	93	926
Other	**5.932**	**35.710**	**500**	**3.809**
Total	**278.035**	**1.094.301**	**7.068**	**145.374**

l. Information about Value Adjustment and Change in Provisions:

	Opening Balance	Provision for Period	Write off from Asset	Other Adjustments(*)	Closing Balance
1. Specific Provisions (**)	168.844	109.749	(40.176)	(62.920)	175.497
2. General Provisions	77.497	9.378	(2.221)	5.591	90.245

(*)TL 69.445 TL shown in Other Adjustments column for "Specific Provisions" consists of released loan loss provision upon sale of Non Performing Loans to Mega VarlıkYönetimi A.Ş. on 28 June 2016. Other Adjustments column consists of exchange rate differences of provisions in foreign currencies.
(**) Also includes special and free provisions for non-cash loans that are classified as non-performing loans.

m. Risks Included in Cyclical Capital Buffer Calculation :

None.

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

III. EXPLANATIONS ON RISK MANAGEMENT:

Risk Management Approach and Risk Weighted Amounts

a. Risk Management Approach of the Group:

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

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

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

Board of Directors is responsible for developing a risk appetite in compliance with business strategy of the Bank and establishing a risk management system in line with risk appetite. Board of Directors carries out activities such as definition, monitoring, reporting of the risk and developing risk mitigating measures through Audit Committee, Board of Directors Risk Committee, Risk Coordination Committee, Assets and Liabilities Committee (ALCO) and Risk Management Group, Internal Control 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 Parent Bank together with the monitoring and controlling of liquidity and exchange risks through holding meetings on a weekly basis.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

4. Main components and scope of Risk measurement systems:

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

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

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

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

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

Results of concentration and credit risk stress test based on sector, segment, maturity, collateral, currency, internal rating 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 Parent Bank and subsidiaries are included in aforementioned reports.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

6. Disclosures on Stress Test:

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

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

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

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

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

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

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

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

Determination of actions towards mitigation through 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.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

b. Overview of risk weighted amounts

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of the date 31 December 2016:

- 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

1. Overview of RWA

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	**Prior Period**	**Current Period**
		31 December 2016	**31 December 2015**	**31 December 2016**
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	12.479.832	9.359.687	998.386
2	Standardised approach (SA)	12.479.832	9.359.687	998.386
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	317.260	32.911	25.381
5	Standardised approach for counterparty credit risk (SA-CCR)	317.260	32.911	25.381
6	Internal Model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look–through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-
16	Market risk	98.580	170.538	7.886
17	Standardised approach (SA)	98.580	170.538	7.886
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	657.901	533.188	52.632
20	Basic indicator approach	657.901	533.188	52.632
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**13.553.573**	**10.096.324**	**1.084.285**

(*) Rating marks given by Fitch Rating International Rating Institution have been used benefiting from Bankscope system in order to identify risk weighted asset class for Receivables from Banks and Intermediaries whose counterparty is located abroad and for the whole risk class of Receivables from Central Managements or Central Banks from the risk class mentioned in article 6 of Regulation on Measurement and Evaluation of Capital Adequacy of Banks in current period. Banks and intermediaries, whose counterparties are located domestically are deemed as not rated.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

c. Relationships between financial statements and risk amounts

2. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

			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**	**Valued amount according to TAS within legal consolidation**
Assets							
Cash and balances with the Central Bank	1.318.866	1.318.866	1.318.866	-	-	-	-
Trading Financial Assets	136.203	136.203	-	104.305	-	123.064	835
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	338.108	338.108	338.108	-	-	-	-
Money Market Placements	17.110	17.110	16.690	420	-	-	-
Financial Assets Available-for-Sale (net)	539.155	539.155	539.155	314.305	-	-	-
Loans and Receivables	10.730.795	10.730.795	10.705.562	25.233	-	-	-
Factoring Receivables	827	827	827	-	-	-	-
Held-to-maturity investments (net)	161.607	161.607	161.607	161.607	-	-	-
Investment in Associates (net)	-	-		-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-	-	-
Investment in Joint ventures (net)	-	-		-	-	-	-
Lease Receivables	1.309.724	1.309.724	1.309.724	-	-	-	-
Derivative Financial Assets Held For Hedging	184.186	184.186	-	184.186	-	-	-
Property And Equipment (Net)	74.156	74.156	55.321	-	-	-	18.835
Intangible Assets (Net)	49.524	49.524	-	-	-	-	49.524
Investment Property (Net)	-	-		-	-	-	-
Tax Asset	10.510	10.510	2.220	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.511	45.511	44.959	-	-	-	552
Other Assets	177.863	177.863	177.863	-	-	-	-
Total assets	**15.094.145**	**15.094.145**	**14.670.902**	**790.056**	**-**	**123.064**	**69.746**
							-
Liabilities							
Deposits	8.248.669	8.248.669		-	-	-	8.248.669
Derivative Financial Liabilities Held for Trading	150.839	150.839		131.864	-	89.027	18.975
Funds Borrowed	3.446.108	3.446.108		-	-	-	3.446.108
Money Markets	496.048	496.048		393.008	-	-	103.040
Marketable Securities Issued	49.288	49.288		-	-	-	49.288
Funds	-	-		-	-	-	-
Miscellaneous Payables	259.443	259.443		-	-	-	259.443
Other Liabilities	67.278	67.278		-	-	-	67.278
Factoring Payables	-	-		-	-	-	-
Lease Payables	-	-		-	-	-	-
Derivative Financial Liabilities Held For Hedging	29.486	29.486		-	-	-	29.486
Provisions	158.734	158.734		-	-	-	158.734
Tax Liability	38.216	38.216		-	-	-	38.216
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-		-	-	-	-
Subordinated Loans	1.057.478	1.057.478		-	-	-	1.057.478
Shareholder's Equity	1.092.558	1.092.558		-	-	-	1.092.558
Total Liabilities	**15.094.145**	**15.094.145**	**-**	**524.872**	**-**	**89.027**	**14.569.273**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

		Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	15.584.022	14.670.902	790.056	-	123.064
2	Liabilities carrying value amount under regulatory scope of consolidation	(613.899)	-	-	(524.872)	(89.027)
3	Total net amount under regulatory scope of consolidation	14.970.123	14.670.902	-	265.184	34.037
4	Off-Balance Sheet Amounts	1.267.677	1.267.677	-	-	-
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	622.916	38.757	-	519.616	64.543
9	Differences due to risk reduction		-	-	-	-
10	Risk Amounts	16.860.716	15.977.336	-	784.800	98.580

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

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

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

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

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

d. Credit Risk Disclosures

1. General Qualitative Information on Credit Risk

(i) Conversion of Bank's business model to components of credit risk profile

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

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

The Group determines short, medium and long term credit strategies in line with business strategy and risk appetite and performs studies in line with criteria details in 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 Group, and credit risk limits detailed in this document are determined based on legal requirements, business strategy of the Group, credit strategy, risk appetite and credit policies and reviewed at least annually and updated, if required. Business strategy, risk appetite and retrospective portfolio realizations are taken into consideration while determining credit risk limits. On the other hand, methods such as stress test and reverse stress test are used during the determination of limit levels.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

(iii) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Group in favour of individuals or legal entities are reviewed in scope of credit risk management. In this context, first level of controls are detailed in credit policies and 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 include activities related to credit risk management, credit risk management organization, related parties and their responsibilities and duties, main principles, implementations, limits and reporting determine in credit risk management.

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

- To make principal amount calculations subject to legal credit risk in the framework of determined rules by related regulations of BRSA and to monitor up-to-dateness of application used in this scope,
- To report results of analysis related to risk definition, measurement, analysis, monitoring and portfolio subject to in/off balance sheet credit risks to senior management in scope of Credit Risk Policy approved by Board of Directors and related application principles,
- To support development of rating/score card models for corporate, commercial and retail credits, to monitor their performances and to participate/coordinate their validation studies,
- To perform credit risk stress test, reverse stress test and scenario analysis determined through related regulations of BRSA and approved by Board of Directors and to share respective results with Risk Coordination Committee, senior management, Audit Committee, Board of Directors Risk Committee and Board of Directors,
- To make probability of default (PD), loss given default (LGD) and residual risk calculations based on internal rating models and share opinion and recommendations for the establishment of infra-structure for aforementioned calculations,
- To analyse credits portfolio through applying stress test, reverse stress test and scenario analysis, if required, for credit risk management,
- To monitor, report risk appetite limits determined in Credit Risk Policy periodically and share opinion and recommendations in revision of risk appetite limits,
- To share recommendations developed for stress test and scenario analysis in order to be presented to Board of Directors, with Risk Coordination Committee and Risk Committee.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

Three lines control mechanism is established in order manage credit risk and to reduce expected and unexpected losses to a minimum level at the Bank. The first line of controls are performed by executive units and include controls in entering into credit relation with customers having high level of creditability, credit allocation, crediting, repayment and monitoring phases. The second line of controls include activities performed by Risk Management Group and Internal Control Departmant 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 Parent Bank and related controls into account in the framework of annual audit plans. Assurance is provided on effectiveness and sufficiency of internal control and risk management strategies related to credit risk activity field executed towards strategies and objectives of the Group through credit risk management in scope of headquarters unit and process audits and branch audits including participation of Directorate of Supervisory Board.

Managers of Risk Management Group, Internal Control 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 Group 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.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Credit quality of assets

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	**Defaulted exposures**	**Non-defaulted exposures**		
1	Loans	278.035	10.598.961	232.817	10.644.179
2	Debt Securities	-	721.092	770	720.322
3	Off-balance sheet exposures	18.806	2.403.788	5.370	2.417.224
4	**Total**	**296.841**	**13.723.841**	**238.957**	**13.781.725**

3. Changes in stock of defaulted loans and debt securities

1	**Defaulted loans and debt securities at the end of the previous reporting period**	**259.462**
2	Loans and debt securities that have defaulted since the last reporting period	172.911
3	Returned to non-defaulted status	-
4	Amounts written off	70.950
5	Other changes	(64.582)
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**296.841**

4. Additional disclosures related to credit quality of assets:

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

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

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

None.

iii. Descriptions of methods used while determining provision amounts:

Specific provision amounts are determined in accordance with "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and collaterals are also based on rated mentioned in aforementioned Communique.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

iv. Descriptions of restructured receivables:

Credits and other receivables can be restructured, through providing additional credit, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency in accordance with Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation").

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

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

	31 December 2016	**Total**
1	Domestic	12.644.245
2	European Union Countries	67.977
3	OECD Countries **	-
4	Off-shore Banking Regions	-
5	USA, Canada	-
6	Other Countries	1.636
7	Associates, Subsidiaries and Jointly Controlled Entities	-
8	Unallocated Assets / Liabilities***	-
9	Total	**12.713.858**

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

	31 December 2016	**Total**
1	**Agriculture**	**55.372**
2	Farming and Stockbreeding	39.496
3	Forestry	131
4	Fishery	15.745
5	**Manufacturing**	3.590.383
6	Mining and Quarrying	467.344
7	Production	2.574.029
8	Electricity, Gas and Water	549.010
9	**Construction**	**3.991.816**
10	**Services**	**4.630.629**
11	Wholesale and Retail Trade	1.675.677
12	Accommodation and Dining	898.931
13	Transportation and Telecom	432.357
14	Financial Institutions	961.480
15	Real Estate and Rental Services	555.574
16	Professional Services	17.080
17	Educational Services	15.698
18	Health and Social Services	73.832
19	Other	445.658
20	**Total**	**12.713.858**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

31 December 2016	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
Cash and Non-cash Loans	2.404.688	1.863.661	2.448.770	4.615.011	1.249.067	132.661	12.713.858

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

Geographical and sectoral breakdowns of Impaired and overdue receivables and provisions made for those receivables and value adjustments are included in IV. Part II.k section and all amounts included in this table are domestic. Provision amount written-off from assets is TL 69.445 during the period and aforementioned amount belongs to domestic receivables. 40% of amounts written-off from assets are related to wholesale and retail trade, 34% of amounts are related to production industry and 20% of amounts are related to other sectors.

	31 December 2016	Non Performing Loan	Special Provision
1	**Agriculture**	**11.166**	**4.065**
2	Farming and Stockbreeding	10.578	3.477
3	Forestry	532	532
4	Fishery	56	56
5	**Manufacturing**	**112.370**	**60.607**
6	Mining and Quarrying	17.380	11.634
7	Production	94.793	48.874
8	Electricity, Gas and Water	197	99
9	**Construction**	**39.752**	**23.590**
10	**Services**	**108.815**	**53.304**
11	Wholesale and Retail Trade	90.784	47.561
12	Accommodation and Dining	3.404	762
13	Transportation and Telecom	3.083	1.602
14	Financial Institutions	15	15
15	Real Estate and Rental Services	1.492	513
16	Professional Services	2.120	639
17	Educational Services	4.978	1.285
18	Health and Social Services	2.939	927
19	Other	**5.932**	**3.808**
20	**Total**	**278.035**	**145.374**

vii. Ageing analysis for overdue receivables.

Ageing analysis for overdue receivables are included in IV. Part II.b section.

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

Specific and general provision are made for restructured receivables and free provision is made for miscellaneous risks, if required, in scope of Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") and there is no situation in which no provision is made.

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

e. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

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

Collaterals, which should be received as a guarantee for each credits and 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 cannot be monitored simultaneously are made. Market value of properties received as collateral are reviewed in accordance with rules determined by BRSA and internal rules determined in related policies.

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

In collateralized credit transactions, 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 contractural 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 Group considers collaterals in its calculations for principal amount subject to credit risk in accordance with rules mentioned in Communique on Measurement and Evaluation of Bank's Capital Adequacy and its annexes and Communique on Risk Mitigation Techniques.

2. Credit risk mitigation techniques

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	6.803.420	3.840.759	2.821.790	1.470	1.470	-	-
2	Debt Securities	720.322	-	-	-	-	-	-
3	**Total**	**7.523.742**	**3.840.759**	**2.821.790**	**1.470**	**1.470**	-	-
4	Of which defaulted	148.128	-	-	-	-	-	-

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

f. Credit Risk if the Standard Approach is used

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

Credit Risk if the Standard Approach is used

Bank uses grades of Fitch Credit Rating institution in credit risk standard approach calculations.

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

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

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

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

		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**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Exposures to central governments or central banks	1.906.772	-	1.925.056	-	705.694	36,7%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	626	60	626	12	638	100,0%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	498.060	129.093	528.960	101.805	328.451	52,1%
7	Exposures to corporates	7.941.469	1.912.556	7.935.862	1.048.653	8.553.089	95,2%
8	Retail exposures	187.251	76.399	186.209	22.298	148.668	71,3%
9	Exposures secured by residential property	514.092	30.645	513.639	11.600	183.291	34,9%
10	Exposures secured by commercial real estate	3.205.877	60.857	3.205.827	28.066	2.120.756	65,6%
11	Past-due loans	132.661	-	132.661	-	130.028	98,0%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	284.094	209.603	282.144	53.918	309.217	92,0%
17	Equity Invesment	-	-	-	-	-	0,0%
18	**Total**	**14.670.902**	**2.419.213**	**14.710.984**	**1.266.352**	**12.479.832**	**78,1%**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Exposures by asset classes and risk weights

	Asset classes/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	513.668	-	-	-	1.411.388	-	-	-	-	1.925.056
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	638	-	-	638
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	29.239	-	20.918	-	512.681	-	67.927	-	-	630.765
7	Exposures to corporates	99.401	-	255.799	-	260.116	-	8.363.855	5.344	-	8.984.515
8	Retail exposures	9.046	-	1.686	-	-	197.775	-	-	-	208.507
9	Exposures secured by residential property	1.418	-	310	523.511	-	-	-	-	-	525.239
10	Exposures secured by commercial real estate	22.985	-	3.276	-	2.175.063	-	1.032.569	-	-	3.233.893
11	Past-due loans	-	-	-	-	19.453	-	99.022	14.186	-	132.661
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	26.845	-	-	-	-	-	309.217	-	-	336.062
18	**Total**	**702.602**	**-**	**281.989**	**523.511**	**4.378.701**	**197.775**	**9.873.228**	**19.530**	**-**	**15.977.336**

g. Disclosures regarding Counterparty Credit Risk

1. Qualitative Disclosures on Counterparty Credit Risk

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

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

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

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

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

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

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

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

iv. Rules with respect to Counter-trend risk

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

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

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

2. Assessment of Counterparty Credit Risk according to the models of measurement

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR				1,4		
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation					784.800	387.895
4	Comprehensive Method for Credit Risk Mitigation						
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	**Total**						**387.895**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	784.800	87.737
4	**Total amount of CVA capital adequacy**	**784.800**	**87.737**

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

Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Central governments and central banks receivables	118.975	-	-	-	-	-	-	-	118.975
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	314	-	-	314
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	273.489	-	63.969	227.904	-	-	-	-	565.362
Corporate receivables	51	-	-	254	-	99.568	-	-	99.873
Retail receivables	-	-	-	-	276	-	-	-	276
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	**392.515**	**-**	**63.969**	**228.158**	**276**	**99.882**	**-**	**-**	**784.800**

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

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

5. Composition of collateral for CCR exposure

	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	239.769	-
Cash - Foreign Currency	-	-	-	-	184.948	-
Government Bonds-Domestic	-	-	-	-	457	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	7.991	-
Other Guarantees	-	-	-	-	-	240
Total	**-**	**-**	**-**	**-**	**433.165**	**240**

6. Credit derivatives: None.

7. Risks to Central Counterparty: The Bank is exposed to a minimal risk of center counterparty on consolidated basis within the scope of the products offered by Burgan Yatırım A.Ş. to customers. For center counterparty risk, an alternative method is used to calculate capital liabilities for commercial risks and guarantee fund amounts.

		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		2.561
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives		
4	(ii) Exchange-traded Derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)		
13	(i) OTC Derivatives		
14	(ii) Exchange-traded Derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

8. Securitization disclosures: None.

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

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Disclosures on Market Risk

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

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

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

Market Risk is managed by Treasury, Capital Markets and Financial Institutions. The Parent Bank limits the market risk which shall be exposed for different risk factors in the framework of risk appetite. The framework of the limit and tracking method is determined with Treasury Risk Parameters document approved by Board of Directors and limits are 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 Departmant which operates independent of risk generating departments/units in the framework of authorizations and frameworks described at the Bank.

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

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

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

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

Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate, option vega limits and stoploss limits determined for trading portfolio.

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

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Countinued)

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Market risk under standardised approach

		Risk Weighted Asset
	Outright products	
1	Interest rate risk (general and specific)	49.057
2	Equity risk (general and specific)	-
3	Foreign exchange risk	49.160
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	363
7	Scenario approach	-
8	Securitisation	-
9	**Total**	**98.580**

IV. EXPLANATIONS ON OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Approach" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28 June 2012. The operational risk capital requirement dated 31 December 2016 was calculated using the year 2013, 2014, 2015 revenues.

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

	2 Prior Period	1 Prior Period	Current Period value	Total / Total number of years for which gross	Rate (%)	Total
Gross Income	37.087	52.361	68.449	3	15	52.632
Amount subject to operational risk (Total*12,5)						657.901

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

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

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK:

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

A series of limits for the tenure of spot and forward foreign exchange positions is set in the risk parameters section of the budget approved by the Board of Directors annually. There is a conservative foreign currency position management policy in the Group due to the free floating currency regime.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date:

	EUR		USD	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
31 December 2016 / 31 December 2015				
Bid rate	**TL 3,7099**	**TL 3,1838**	**TL 3,5192**	**TL 2,9181**
1. Day bid rate	TL 3,7099	TL 3,1838	TL 3,5192	TL 2,9181
2. Day bid rate	TL 3,6939	TL 3,1776	TL 3,5318	TL 2,9076
3. Day bid rate	TL 3,6901	TL 3,1921	TL 3,5329	TL 2,9084
4. Day bid rate	TL 3,6711	TL 3,2006	TL 3,5135	TL 2,9157
5. Day bid rate	TL 3,6639	TL 3,1904	TL 3,5041	TL 2,9123

The simple arithmetic average of the Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown below:

	EUR		USD	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Arithmetic average-30 days	TL 3,6848	TL 3,1802	TL 2,4950	TL 2,9186

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

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

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

Information on currency risk of the Group:

The Group’s real foreign currency position, both in financial and economic terms, is presented in the table below:

	EUR	USD	Other FC	Total
31 December 2016				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	5.417	1.150.828	1.366	1.157.611
Due From Banks	42.289	194.023	6.580	242.892
Financial Assets at Fair Value Through Profit or Loss (*)	27.486	19.578	926	47.990
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	168.612	-	168.612
Loans (*)	3.713.214	3.222.573	7.860	6.943.647
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-Maturity Investments	-	161.607	-	161.607
Hedging Derivative Financial Assets	138	7.802	-	7.940
Tangible Assets	-	1.590	-	1.590
Intangible Assets	-	1.059	-	1.059
Other Assets	676.178	426.711	-	1.102.889
Total Assets	**4.464.722**	**5.354.383**	**16.732**	**9.835.837**
Liabilities				
Bank Deposits	447	5.108	-	5.555
Foreign Currency Deposits	1.766.584	3.531.834	97.212	5.395.630
Funds From Interbank Money Market	-	185.428	-	185.428
Funds Borrowed From Other Financial Institutions	1.141.394	3.263.619	-	4.405.013
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	138.509	67.766	17	206.292
Hedging Derivative Financial Liabilities	1.551	407	-	1.958
Other Liabilities (*)	16.031	16.041	486	32.558
Total Liabilities	**3.064.516**	**7.070.203**	**97.715**	**10.232.434**
Net On-balance Sheet Position	**1.400.206**	**(1.715.820)**	**(80.983)**	**(396.597)**
Net Off-balance Sheet Position	**(1.357.925)**	**1.558.575**	**81.299**	**281.949**
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	1.987.518	72.216	4.459.155
Non-Cash Loans (**)	**464.496**	**736.527**	**46.516**	**1.247.539**
31 December 2015				
Total Assets (*)	2.820.654	4.522.491	39.907	7.383.052
Total Liabilities (*)	1.541.273	6.341.765	35.582	7.918.620
Net On-balance Sheet Position	**1.279.381**	**(1.819.274)**	**4.325**	**(535.568)**
Net Off-balance Sheet Position	**(1.272.953)**	**1.853.617**	**(2.978)**	**577.686**
Financial Derivative Assets	688.571	3.412.745	79.103	4.180.419
Financial Derivative Liabilities	1.961.524	1.559.128	82.081	3.602.733
Non-Cash Loans (**)	**320.947**	**570.585**	**20.951**	**912.483**

(*)The above table shows the Bank’s foreign currency net position based on main currencies. Foreign currency indexed assets, classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. Due to this, foreign currency indexed loans amounting to TL 878.488 (31 December 2015: TL 784.445) classified as Turkish Lira assets in the 31 December 2016 financial statements are added to the table above and there is no foreign currency indexed loans received in the current period (31 December 2015: None). Besides these, in assets “Income Accruals of Derivative Financial Instruments” amounting to TL 3.769 (31 December 2015: TL 4.530), in liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 9.622 (31 December 2015: TL 6.189), "General Provisions" amounting to TL 53.785 (31 December 2015: TL 38.816), free provisions amounting to TL 19.721 (31 December 2015: TL 20.436) and “Marketable Securities Valuation Reserve” with “Hedging Derivative Financils” amounting to TL (5.014) (31 December 2015: TL (857)) are not included in the table above.
(**)Non cash loans are not included in the total of “Net Off-Balance Sheet Position”.

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

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

V. EXPLANATIONS ON CURRENCY RISK (Continued):

Currency risk sensitivity analysis:

If foreign currency appreciated/depreciated against TL at a ratio of 10% and all other variables remain fixed as of December 31, 2016 and 2015, 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 2016				31 December 2015			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	(15.725)	15.725	(16.226)	16.226	3.434	(3.434)	3.349	(3.349)
EUR	4.228	(4.228)	4.228	(4.228)	643	(643)	643	(643)
Other currency units	32	(32)	32	(32)	135	(135)	135	(135)
Total, net	**(11.465)**	**11.465**	**(11.966)**	**11.966**	**4.212**	**(4.212)**	**4.127**	**(4.127)**

(*) Equity effect also includes income table effects.

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 Group's interest rate sensitive assets and liabilities. The interest sensitivity of risks regarding the interest rate both on the on-balance sheet and off-balance sheet are monitored following several analyses and are discussed in Asset and Liability Committee weekly.

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

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

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

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

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

31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.095.882	-	-	-	-	222.984	1.318.866
Due From Banks	259.365	59.995	-	-	-	18.748	338.108
Financial Assets at Fair Value Through Profit/Loss (*)	44.644	100.055	154.126	12.317	9.247	-	320.389
Interbank Money Market Placements	17.110	-	-	-	-	-	17.110
Available-for-Sale Financial Assets	63.505	120.012	59.919	191.684	92.465	11.570	539.155
Loans	5.460.313	1.485.440	1.710.650	1.805.466	137.091	132.662	10.731.622
Held-to-Maturity Investments	-	-	-	74.975	86.632	-	161.607
Other Assets	54.382	58.533	248.033	856.893	91.883	357.564	1.667.288
Total Assets	**6.995.201**	**1.824.035**	**2.172.728**	**2.941.335**	**417.318**	**743.528**	**15.094.145**
Liabilities							
Bank Deposits	50.023	-	-	-	-	6.772	56.795
Other Deposits	5.144.462	2.167.616	424.968	280	-	454.548	8.191.874
Funds From Interbank Money Market	311.883	112.877	71.288	-	-	-	496.048
Miscellaneous Payables	-	-	-	-	-	259.443	259.443
Marketable Securities Issued	-	49.288	-	-	-	-	49.288
Funds Borrowed From Other Financial Institutions	521.864	3.240.198	738.845	2.679	-	-	4.503.586
Other Liabilities (*)(**)	77.546	28.815	32.335	40.056	1.545	1.356.814	1.537.111
Total Liabilities	**6.105.778**	**5.598.794**	**1.267.436**	**43.015**	**1.545**	**2.077.577**	**15.094.145**
Balance Sheet Long Position	**889.423**	**-**	**905.292**	**2.898.320**	**415.773**	**-**	**5.108.808**
Balance Sheet Short Position	**-**	**(3.774.759)**	**-**	**-**	**-**	**(1.334.049)**	**(5.108.808)**
Off-balance Sheet Long Position	**472.094**	**530.325**	**581.813**	**-**	**-**	**-**	**1.584.232**
Off-balance Sheet Short Position	**-**	**-**	**-**	**(1.436.608)**	**(52.217)**	**-**	**(1.488.825)**
Total Position	**1.361.517**	**(3.244.434)**	**1.487.105**	**1.461.712**	**363.556**	**(1.334.049)**	**95.407**

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 184.186 and other liabilities includes hedging derivative financial liabilities amounting to TL 29.486 classified to a related re-pricing periods.
(**) Shareholders' Equity is presented in Non Interest Bearing column.

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

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

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

31 December 2015	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	1.013.000	-	-	-	-	81.075	1.094.075
Due From Banks	177.502	-	-	-	-	17.631	195.133
Financial Assets at Fair Value Through Profit/Loss	59.470	7.951	29.457	45.202	4.788	3.865	150.733
Interbank Money Market Placements	22.195	-	-	-	-	-	22.195
Available-for-Sale Financial Assets	113.212	114.493	13.385	52.450	348.223	11.567	653.330
Loans	2.859.165	2.424.689	1.681.745	1.178.093	19.052	103.728	8.266.472
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets	58.911	38.827	179.887	583.511	67.585	262.458	1.191.179
Total Assets	**4.303.455**	**2.585.960**	**1.904.474**	**1.859.256**	**439.648**	**480.324**	**11.573.117**
Liabilities							
Bank Deposits	43.249	-	-	-	-	7.097	50.346
Other Deposits	3.596.935	2.213.315	239.871	57.956	-	453.088	6.561.165
Funds From Interbank Money Market	438.077	-	-	-	-	-	438.077
Miscellaneous Payables	-	-	-	-	-	159.222	159.222
Marketable Securities Issued	-	49.255	-	-	-	-	49.255
Funds Borrowed From Other Financial Institutions	235.265	2.121.453	597.746	6.677	-	-	2.961.141
Other Liabilities (*)	65.512	7.318	16.881	1.731	-	1.262.469	1.353.911
Total Liabilities	**4.379.038**	**4.391.341**	**854.498**	**66.364**	**-**	**1.881.876**	**11.573.117**
Balance Sheet Long Position	**-**	**-**	**1.049.976**	**1.792.892**	**439.648**	**-**	**3.282.516**
Balance Sheet Short Position	**(75.583)**	**(1.805.381)**	**-**	**-**	**-**	**(1.401.552)**	**(3.282.516)**
Off-balance Sheet Long Position	-	-	-	30.119	-	-	30.119
Off-balance Sheet Short Position	(10.380)	(14.314)	(3.549)	(1.972)	-	-	(30.215)
Total Position	**(85.963)**	**(1.819.695)**	**1.046.427**	**1.821.039**	**439.648**	**(1.401.552)**	**(96)**

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

Interest rate sensitivity analysis :

Change in interest rate 31 December 2016	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(892)	(14.022)
(-) %1	953	14.022

Change in interest rate 31 December 2015	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(906)	(21.145)
(-) %1	921	21.145

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.

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

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

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

Below the average interest rates are calculated by weighting the simple rates with their principals.

31 December 2016	EUR	USD	Yen	TL
Assets	**%**	**%**	**%**	**%**
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,75	-	3,31
Due From Banks	0,01	0,55	-	11,29
Financial Assets at Fair Value Through Profit/Loss	4,79	7,90	-	8,82
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,23
Loans	4,92	6,20	-	15,13
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	-	-	8,16
Other Deposits (*)	1,97	3,31	-	11,01
Funds From Interbank Money Market	-	2,27	-	8,27
Miscellaneous Payables	-	-	-	11,25
Marketable Securities Issued	-	-	-	13,69
Funds Borrowed From Other Financial Institutions	1,99	3,59	-	9,47

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

31 December 2015	EUR	USD	Yen	TL
Assets	**%**	**%**	**%**	**%**
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,49	-	3,81
Due From Banks	-	0,36	-	10,90
Financial Assets at Fair Value Through Profit/Loss	-	5,75	-	8,54
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,86	-	9,39
Loans	4,96	5,84	-	15,56
Held-to-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	0,28	3,49	-	0,18
Other Deposits (*)	1,47	2,48	-	11,87
Funds From Interbank Money Market	-	1,46	-	6,38
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	12,95
Funds Borrowed From Other Financial Institutions	2,56	3,00	-	10,37

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

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

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

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

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

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

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

2. The table below presents the economic value differences resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

Currency	**Applied Shock (+/- x basis point)**	**Earnings/ Losses**	**Earnings/ Equities-Losses/ Equities**
1. TRY	+500 bp	(70.676)	(3,3) %
2. TRY	-400 bp	64.903	3,0%
3. EURO	+200 bp	334	-
4. EURO	-200 bp	108	-
5. USD	+200 bp	(37.115)	(1,7) %
6. USD	-200 bp	33.130	1,5%
Total (For Negative Shocks)		**98.142**	**4,6%**
Total (For Positive Shocks)		**(107.458)**	**(5,0)** %

VII. EXPLANATIONS ON THE CONSOLIDATED SHARE CERTIFICATE POSITION RISK:

None.

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK:

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

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

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

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

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

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

Firstly, the Parent Bank and subsidiaries subject to consolidation are responsible to be in accord with the minimum liquidity restrictions that are set by legislation and consolidated and unconsolidated liquidity restrictions that is determined in the Bank's Liquidity Risk Policy There should be no excess in liquidity limits in accordance with the Bank's policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

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

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

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

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

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

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

Liquidity Coverage Ratio:

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2016		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			1.099.734	808.933
2	Retail and Small Business Customers Deposits	4.924.797	2.766.517	472.368	276.652
3	Stable deposits	402.240	-	20.112	-
4	Less stable deposits	4.522.557	2.766.517	452.256	276.652
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.450.021	1.649.165	1.204.964	749.132
6	Operational deposits	968.513	763.732	242.128	190.933
7	Non-Operational Deposits	1.172.483	766.033	653.811	438.799
8	Other Unsecured Funding	309.025	119.400	309.025	119.400
9	Secured funding			11.463	11.463
10	Other Cash Outflows	68.027	120.238	68.027	120.238
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	68.027	120.238	68.027	120.238
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.099.187	1.136.828	242.700	138.246
16	**TOTAL CASH OUTFLOWS**			**1.999.522**	**1.295.731**
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.155.475	369.360	714.333	288.185
19	Other contractual cash inflows	6.389	108.991	6.389	108.991
20	**TOTAL CASH INFLOWS**	**1.161.864**	**478.351**	**720.722**	**397.176**
				Upper Bound Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			1.099.734	808.933
22	**TOTAL NET CASH OUTFLOWS**			1.278.800	898.555
23	**Liquidity Coverage Ratio (%)**			86,00	90,03

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

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

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

		Unweighted Amounts (*)		Weighted Amounts (*)	
31 December 2015		**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			967.908	670.640
2	Retail and Small Business Customers Deposits	3.872.370	2.728.000	236.820	169.515
3	Stable deposits	3.008.360	2.065.700	150.418	103.285
4	Less stable deposits	864.010	662.300	86.402	66.230
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.460.400	1.806.836	1.297.313	911.825
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	2.111.969	1.637.198	949.188	742.187
8	Other Unsecured Funding	348.431	169.638	348.125	169.638
9	Secured funding			16.749	16.749
10	Other Cash Outflows	32.563	191.888	32.563	191.888
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	32.563	191.888	32.563	191.888
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	1.866.583	968.105	197.672	105.653
16	**TOTAL CASH OUTFLOWS**			**1.781.117**	**1.395.630**
CASH IN FLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	767.474	175.068	443.493	132.697
19	Other contractual cash inflows	11.143	381.468	11.142	381.468
20	**TOTAL CASH INFLOWS**	**778.617**	**556.536**	**454.635**	**514.165**
				Upper Limit Applied Amounts	
21	**TOTAL HIGH QUALITY LIQUID ASSETS**			**967.908**	**670.640**
22	**TOTAL NET CASH OUTFLOWS**			**1.326.482**	**881.465**
23	**Liquidity Coverage Ratio (%)**			**72,97**	**76,08**

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

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

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (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 Parent Bank consist of accounts in Central Bank of Turkey at a ratio of 81% 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 23%, 54% 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. As of 31 December 2016, information regarding aforementioned cash outflow are as follows:

	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
Date Range	**FC**	**FC + TL**
01 October 2016 – 31 December 2016	46.927	46.927

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. As of 31 December 2016, liquidity coverage rates must be at least 50% for foreign currency assets and liabilities and at least 70% in total assets and liabilities. Dates and values of lowest and highest foreign currency and total consolidated liquidity coverage rates calculated monthly related to the last quarter and average rates are explained in the table below:

Current Period	**Maximum (%)**		**Minimum (%)**	
	FC	**FC + TL**	**FC**	**FC + TL**
Monthly Arithmetic Average (%)	117,93	88,45	68,25	83,53
Monthly	31 October 2016	30 November 2016	31 December 2016	31 December 2016

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

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 2016	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (***)	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26.883	1.291.983	-	-	-	-	-	1.318.866
Due From Banks	18.748	259.365	59.995	-	-	-	-	338.108
Financial Assets at Fair Value Through Profit or Loss (*)	-	41.957	31.357	33.267	199.814	13.994	-	320.389
Interbank Money Market Placements	-	17.110	-	-	-	-	-	17.110
Available-for-Sale Financial Assets	-	-	30.465	122.912	281.743	92.465	11.570	539.155
Loans	-	1.190.853	1.687.404	2.063.305	4.408.861	1.248.538	132.661	10.731.622
Held-to-Maturity Investments	-	-	-	-	74.975	86.632	-	161.607
Other Assets (**)	-	75.170	61.262	268.045	884.177	93.682	284.952	1.667.288
Total Assets	**45.631**	**2.876.438**	**1.870.483**	**2.487.529**	**5.849.570**	**1.535.311**	**429.183**	**15.094.145**
Liabilities								
Bank Deposits	6.772	50.023	-	-	-	-	-	56.795
Other Deposits	454.548	5.144.462	2.167.616	424.968	280	-	-	8.191.874
Funds Borrowed From Other Financial Institutions	-	124.409	173.522	2.170.140	937.430	1.098.085	-	4.503.586
Funds From Interbank Money Market	-	310.619	-	-	129.576	55.853	-	496.048
Marketable Securities Issued	-	-	49.288	-	-	-	-	49.288
Miscellaneous Payables	-	137.829	5.110	-	-	-	116.504	259.443
Other Liabilities (*) (***)	-	162.261	24.172	47.363	54.862	1.545	1.246.908	1.537.111
Total Liabilities	**461.320**	**5.929.603**	**2.419.708**	**2.642.471**	**1.122.148**	**1.155.483**	**1.363.412**	**15.094.145**
Net Liquidity Gap	**(415.689)**	**(3.053.165)**	**(549.225)**	**(154.942)**	**4.727.422**	**379.828**	**(934.229)**	**-**
Net Off-balance sheet position	**-**	**333.859**	**479.781**	**227.816**	**(92.288)**	**(566)**	**-**	**948.602**
Financial Derivative Assets	-	2.845.074	1.835.788	574.212	671.041	105	-	5.926.220
Financial Derivative Liabilities	-	(2.511.215)	(1.356.007)	(346.396)	(763.329)	(671)	-	(4.977.618)
Non-cash Loans	**-**	**1.213.835**	**176.257**	**385.465**	**206.150**	**529**	**-**	**1.982.236**
31 December 2015								
Total Assets	86.874	2.445.233	1.641.329	2.130.661	3.843.578	1.177.865	247.577	11.573.117
Total Liabilities	460.185	4.355.341	2.442.017	1.171.264	1.434.063	454.832	1.255.415	11.573.117
Net Liquidity Gap	**(373.311)**	**(1.910.108)**	**(800.688)**	**959.397**	**2.409.515**	**723.033**	**(1.007.838)**	**-**
Net Off-balance sheet position	**-**	**(8.216)**	**(24.211)**	**(13.178)**	**(43.907)**	**69**	**-**	**(89.443)**
Financial Derivative Assets	-	2.420.093	1.154.880	713.830	340.179	117		4.629.099
Financial Derivative Liabilities	-	(2.428.309)	(1.179.091)	(727.008)	(384.086)	(48)		(4.718.542)
Non-cash Loans	**-**	**896.694**	**137.512**	**360.042**	**149.091**	**816**		**1.544.155**

(*) The 1-5 years maturity period of Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 184.186 and the 1-5 years maturity period of Other Liabilities includes hedging derivative financial liabilities amounting to TL 29.486.

(**) Assets that are necessary for banking activities, such as fixed and intangible assets, subsidiaries, associates, stationary stocks and account receivables from leasing are classified in this column.

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

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

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2016	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	56.806	-	-	-	-	56.806
Funds borrowed from other financial institutions	5.610.737	2.185.214	431.684	312	-	8.227.947
Funds from money market	126.080	196.899	2.245.993	1.191.057	1.226.087	4.986.116
Payables to money market	310.718	-	-	129.753	55.923	496.394
Total	**6.104.341**	**2.382.113**	**2.677.677**	**1.321.122**	**1.282.010**	**13.767.263**

31 December 2015	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	50.347	-	-	-	-	50.347
Funds borrowed from other financial institutions	4.057.608	2.229.654	253.346	60.515	-	6.601.123
Funds from money market	69.275	232.545	947.010	1.458.582	507.209	3.214.621
Payables to money market	438.431	-	-	-	-	438.431
Total	**4.615.661**	**2.462.199**	**1.200.356**	**1.519.097**	**507.209**	**10.304.522**

Derivative instruments of group, counter-based maturity analysis:

31 December 2016	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative insturments held for trading						
Exchange rate derivatives:						
- Entry	2.534.925	1.026.354	441.948	54.844	-	4.058.071
- Out	2.023.397	816.374	366.853	51.950	-	3.258.574
Interest rate derivatives:						
- Entry	7.419	2.797	8.606	9.179	2.324	30.325
- Out	6.906	2.331	8.336	12.600	1.438	31.611
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	223	1.785	558	837.236	-	839.802
- Out	-	11.100	44.001	818.424	-	873.525
Interest rate derivatives:						
- Entry	249	78	160	270	-	757
- Out	447	301	837	2.053	-	3.638
Total cash entry	**2.542.816**	**1.031.014**	**451.272**	**901.529**	**2.324**	**4.928.955**
Total cash out	**2.030.750**	**830.106**	**420.027**	**885.027**	**1.438**	**4.167.348**

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

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative insturments held for trading						
Exchange rate derivatives:						
- Entry	2.419.120	1.146.702	698.609	50.899	-	4.315.330
- Out	2.427.274	1.160.417	700.262	51.395	-	4.339.348
Interest rate derivatives:						
- Entry	915	7.751	15.221	12.060	117	36.064
- Out	821	7.142	13.481	10.755	48	32.247
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	-	402	-	277.220	-	277.622
- Out	-	11.284	12.415	319.077	-	342.776
Interest rate derivatives:						
- Entry	58	25	-	-	-	83
- Out	214	248	850	2.859	-	4.171
Total cash entry	**2.420.093**	**1.154.880**	**713.830**	**340.179**	**117**	**4.629.099**
Total cash out	**2.428.309**	**1.179.091**	**727.008**	**384.086**	**48**	**4.718.542**

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

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

IX. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO:

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

As of 31 December 2016, leverage ratio of the Group calculated from the arithmetic average of the three months is 6,28% (31 December 2015: 6,77%). 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 2016 (*)	**31 December 2015 (*)**
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivaties, including collaterals)	14.403.079	11.551.398
(Assets deducted from Core capital)	62.384	55.558
Total risk amount of balance sheet assets	14.340.695	11.495.840
Derivative financial assets and credit derivaties		
Cost of replenishment for derivative financial assets and credit derivaties	212.479	50.178
Potential credit risk amount of derivative financial assets and credit derivaties	82.983	41.649
Total risk amount of derivative financial assets and credit derivaties	295.462	91.827
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.071.949	2.521.389
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.071.949	2.521.389
Capital and total risk		
Core Capital	994.248	954.874
Total risk amount	17.708.106	14.109.057
Leverage ratio		
Leverage ratio	5,64%	6,77%

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

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

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

X. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 December 2016, The Group applies cash flow hedge accounting using interest swaps to hedge its FC deposits and other liabilities with an average maturity upto 3 months against interest rate fluctuations. The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

The swaps, of which carrying amount is TL 184.186 derivative financial assets (31 December 2015: TL 40.845) and TL 29.486 derivative financial liabilities (31 December 2015: TL 15.132), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 12.699 (31 December 2015: TL 9.216 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2015: None).

Hedging Instrument	**Hedging Subject**	**Exposed Risk**	**Hedging Instruments Fair Value**		**Hedging Funds**	**Ineffective Part Accounted in Income Statement (Net)**
			Assets	**Liabilities**		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	180.399	27.528	(782)	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	3.787	1.958	22.697	-

(*) Includes TMS27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TAS 39, the accounting application is ended. In case of deterioration of efficieny, 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 2015: None).

It is determined in the measurements carried out as of the date of 31 December 2016 that above mentioned cash flow hedging transactions are effective.

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

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

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

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank's current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities.

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

	BookValue		**Fair Value**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Financial Assets	**11.787.602**	**10.065.857**	**13.604.319**	**10.167.342**
Due from Money Market	17.110	22.195	17.110	22.195
Due from Banks	338.108	195.133	338.107	195.135
Available-for-Sale Financial Assets	539.155	653.330	539.155	653.330
Held-to-maturity Investments	161.607	-	162.239	-
Loans	10.731.622	9.195.199	12.547.708	9.296.682
Financial Liabilities	**13.060.986**	**9.781.129**	**13.646.288**	**9.798.313**
Bank Deposits	56.795	50.346	56.803	50.358
Other Deposits	8.191.874	6.561.165	8.202.580	6.565.462
Borrowings	4.503.586	2.961.141	5.078.174	2.973.734
Marketable Securities Issued	49.288	49.255	49.288	49.537
Miscellaneous Payables	259.443	159.222	259.443	159.222

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.

a) Quoted market prices (non-adjusted) (1st level)
b) 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)
c) Data not based on observable data regarding assets or liabilities (3rd level)

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

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

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

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 2016	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	31.898	265.912	-	297.810
Government Debt Securities	27.960	161.607	-	189.567
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	104.305	-	104.305
Other marketable securities	3.938	-	-	3.938
Available for Sale Financial Assets (*)	450.927	88.228	-	539.155
Share Certificates	-	11.568	-	11.568
Government Debt Securities	450.927	-	-	450.927
Other Marketable Securities	-	76.660	-	76.660
Hedging Derivative Financial Assets	-	184.186	-	184.186
Total Assets	**482.825**	**538.326**	-	**1.021.151**
Trading Derivative Financial Liabilities	-	150.839	-	150.839
Hedging Derivative Financial Liabilities	-	29.486	-	29.486
Total Liabilities	-	**180.325**	-	**180.325**

31 December 2015	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	37.773	72.115	-	109.888
Government Debt Securities	30.507	-	-	30.507
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	72.115	-	72.115
Other Marketable Securities	7.266	-	-	7.266
Available for Sale Financial Assets (*)	538.426	114.904	-	653.330
Share Certificates	-	11.567	-	11.567
Government Debt Securities	538.426	-	-	538.426
Other Marketable Securities	-	103.337	-	103.337
Hedging Derivative Financial Assets	-	40.845	-	40.845
Total Assets	**576.199**	**227.864**	-	**804.063**
Trading Derivative Financial Liabilities	-	76.316	-	76.316
Hedging Derivative Financial Liabilities	-	15.132	-	15.132
Total Liabilities	-	**91.448**	-	**91.448**

(*)As noted in the footnote VII-d, written down values of available for sale securities are reported if the such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason.There is not any transfer between 1st and 2nd levels in the current year.

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

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

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

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

XIII. EXPLANATIONS ON OPERATING SEGMENTS:

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

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

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade products, non-cash loans, foreign currency transaction services and other corporate banking services to corporate clients.

Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

Stated balance sheet and income statement items based on operating segments:

Prior period financial information is presented as at 31 December 2015 for balance sheet and income statements items.

31 December 2016	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified(*)	Total Operations of the Bank
Net Interest Income	40.263	286.380	41.131	52.419	420.193
Net Fees and Comissions	3.969	19.211	-	16.933	40.113
Commercial Profit/Loss	9.136	11.941	1.595	1.876	24.548
Other Operating Income	1.585	7.300	-	10.591	19.476
Operating Income	**54.953**	**324.832**	**42.726**	**81.819**	**504.330**
Operating Costs (-)	**40.273**	**182.055**	**12.870**	**172.020**	**407.218**
Net Operating Income	**14.680**	**142.777**	**29.856**	**(90.201)**	**97.112**
Dividend Income	-	-	-	627	627
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	**14.680**	**142.777**	**29.856**	**(89.574)**	**97.739**
Tax Provisions (-)	2.936	28.555	5.971	(11.396)	26.066
Net Profit / Loss	**11.744**	**114.222**	**23.885**	**(78.178)**	**71.673**
Segment Assets	691.560	10.724.366	1.811.177	1.609.700	14.836.803
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	257.342	257.342
Total Assets	**691.560**	**10.724.366**	**1.811.177**	**1.867.042**	**15.094.145**
Segments Liabilities	4.950.035	3.336.482	3.858.095	1.609.702	13.754.314
Unallocated Liabilities	-	-	-	1.339.831	1.339.831
Total Liabilities	**4.950.035**	**3.336.482**	**3.858.095**	**2.949.533**	**15.094.145**

(*) Other operates include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai.

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

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

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

31 December 2015 (**)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury**	**Other and Unclassified (*)**	**Total Operations of the Bank**
Net Interest Income	29.408	266.386	23.696	45.608	365.098
Net Fees and Comissions	1950	17089	-	26.515	45.554
Commercial Profit/Loss	3.177	8.168	16.824	4.519	32.688
Other Operating Income	1373	11401	-	6.573	19.347
Operating Income	**35.908**	**303.044**	**40.520**	**83.215**	**462.687**
Operating Costs (-)	**29.475**	**198.943**	**9.944**	**155.939**	**394.301**
Net Operating Income	**6.433**	**104.101**	**30.576**	**(72.724)**	**68.386**
Dividend Income	-	-	-	542	542
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	**6.433**	**104.101**	**30.576**	**(72.182)**	**68.928**
Tax Provisions (-)	1.286	20.821	6.115	(11.463)	16.759
Net Profit / Loss	**5.147**	**83.280**	**24.461**	**(60.719)**	**52.169**
31 December 2015(**)					
Segment Assets	482.181	8.329.884	1.439.612	1.127.005	11.378.682
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	194.435	194.435
Total Assets	**482.181**	**8.329.884**	**1.439.612**	**1.321.440**	**11.573.117**
Segments Liabilities	3.691.540	2.951.980	2.653.260	1.127.003	10.423.783
Unallocated Liabilities	-	-	-	1.149.334	1.149.334
Total Liabilities	**3.691.540**	**2.951.980**	**2.653.260**	**2.276.337**	**11.573.117**

(*)Other operates include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai.
(**)Prior period balances have been restated due to the change in table format.

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

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

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Cash/Foreign currency	11.498	15.353	13.420	12.994
CBRT	149.757	1.142.258	134.468	933.193
Other	-	-	-	-
Total	**161.255**	**1.157.611**	**147.888**	**946.187**

2. Information on the account of the CBRT:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Demand Unrestricted Amount	149.757	224.976	134.468	197.171
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	917.282	-	736.022
Total	**149.757**	**1.142.258**	**134.468**	**933.193**

3. Information on reserve requirements:

In accordance with the "Communiqué Regarding the Reserve Requirements no. 2013/15, the Parent Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 11,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 25% for all foreign currency liabilities).

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

1. As of 31 December 2016, none financial assets at fair value through profit or loss subject to repo transactions: None (31 December 2015:None).
2. Positive differences related to trading derivative financial assets:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Forward Transactions	14.659	1.638	11.203	1.264
Swap Transactions	38.974	28.761	26.262	14.697
Futures Transactions	-	-	-	-
Options	588	19.685	133	18.556
Other	-	-	-	-
Total	**54.221**	**50.084**	**37.598**	**34.517**

c. Information on banks:

1. Information on banks:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic	95.191	226.529	87.166	90.513
Foreign	25	16.363	-	17.454
Headquarters and Branches Abroad	-	-	-	-
Total	**95.216**	**242.892**	**87.166**	**107.967**

2. Information on foreign banks

	Restricted Amount		Unrestricted Amount	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
EU Countries	10.853	5.612	-	-
USA, Canada	4.829	3.453	-	-
OECD Countries (*)	470	8.049	-	-
Off-shore Banking Regions	-	-	-	-
Others	236	340	-	-
Total	**16.388**	**17.454**	-	-

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

d. Information on available-for-sale financial assets:

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

   As of 31 December 2016, there are TL 29.408 available-for-sale financial assets given as collateral/blocked (31 December 2015: TL 70.153) and those subject to repurchase agreements amounts to TL 314.305 (31 December 2015: TL 470.878).
2. Information on available-for-sale financial assets:

	31 December 2016	31 December 2015
Debt Securities	515.136	644.190
Quoted on Stock Exchange	515.136	644.190
Not Quoted	-	-
Share Certificates	30.410	10.665
Quoted on Stock Exchange	19.748	-
Not Quoted	10.662	10.665
Impairment Provision (-)	6.391	1.525
Total	**539.155**	**653.330**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

e. Explanations on loan:

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

	31 December 2016		31 December 2015	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	-	-	219
Corporate Shareholders	-	-	-	219
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	-	-	-	-
Loans Granted To Employees	6.288	-	4.896	-
Total	**6.288**	**-**	**4.896**	**219**

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

i.

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Restructured or Rescheduled		Loans and Other Receivables (Total)	Restructured or Rescheduled	
		Loans with Restructured Payment Plans	Other		Loans with Restructured Payment Plans	Other
Non-Specialised Loans	9.922.034	-	-	676.927	215.627	1.714
Loans Given to Enterprises	-	-	-	-	-	-
Export Loans	372.484	-		68.383	995	
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	460.955	-	-	-	-	-
Consumer Loans	237.324	-	-	17.740	-	-
Credit Cards	4.824	-	-	779	-	-
Other (*)	8.846.447	-	-	590.025	214.632	1.714
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	**9.922.034**	-	-	**676.927**	**215.627**	**1.714**

(*) The Group also has TL 827 factoring loans in the Other account.

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	-	215.627
3,4 or 5 times	-	-
Over 5 times	-	-
Total	-	**215.627**

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	195.703
6 Months – 12 Months	-	-
1-2 Years	-	-
2-5 Years	-	-
5 Years and Over	-	19.924
Total	-	**215.627**

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	**Restructured or Rescheduled**	**Loans and Other Receivables**	**Restructured or Rescheduled**
Short-term Loans and Other Receivables	2.607.917	-	113.770	17.498
Non-specialised Loans	2.607.917	-	113.770	17.498
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	7.314.117	-	345.816	199.843
Non-specialised Loans	7.314.117	-	345.816	199.843
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
TOTAL	**9.922.034**	-	**459.586**	**217.341**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	**9.859**	**232.473**	**242.332**
Real estate loans	-	81.929	81.929
Automotive loans	129	3.781	3.910
Consumer loans	9.730	146.763	156.493
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	**1.187**	**1.187**
Real estate loans	-	1.187	1.187
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**3.145**	-	**3.145**
With installments	-	-	-
Without installments	3.145	-	3.145
Individual Credit Cards- FC	**29**	-	**29**
With installments	-	-	-
Without installments	29	-	29
Personnel Loans-TL	**359**	**5.083**	**5.442**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	359	5.083	5.442
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	**827**	-	**827**
With installments	-	-	-
Without installments	827	-	827
Personnel Credit Cards-FC	**19**	-	**19**
With installments	-	-	-
Without installments	19	-	19
Credit Deposit Account-TL (Real Person)	**6.103**	-	**6.103**
Credit Deposit Account-FC (Real Person)	-	-	-
Total	**20.341**	**238.743**	**259.084**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	**52.073**	**1.090.736**	**1.142.809**
Real estate loans	-	-	-
Automotive loans	2.149	10.068	12.217
Consumer loans	49.924	1.080.668	1.130.592
Other	-	-	-
Commercial Installments Loans-FC Indexed	**13.861**	**416.990**	**430.851**
Real estate loans	-	-	-
Automotive loans	511	6.379	6.890
Consumer loans	13.350	410.611	423.961
Other	-	-	-
Commercial Installments Loans-FC	**-**	**2.978.621**	**2.978.621**
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	2.978.621	2.978.621
Other	-	-	-
Corporate Credit Cards-TL	**1.527**	**-**	**1.527**
With installment	-	-	-
Without installment	1.527	-	1.527
Corporate Credit Cards-FC	**56**	**-**	**56**
With installment	-	-	-
Without installment	56	-	56
Credit Deposit Account-TL (Legal Person)	**18.434**	**-**	**18.434**
Credit Deposit Account-FC (Legal Person)	**-**	**-**	**-**
Total	**85.951**	**4.486.347**	**4.572.298**

6. Loans according to types of borrowers:

	31 December 2016	31 December 2015
Public	-	4.500
Private	10.598.961	8.158.244
Total	**10.598.961**	**8.162.744**

7. Distribution of domestic and foreign loans:

	31 December 2016	31 December 2015
Domestic Loans	10.598.961	8.162.744
Foreign Loans	-	-
Total	**10.598.961**	**8.162.744**

8. Loans given to investments in associates and subsidiaries:

None (31 December 2015 : None).

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Specific provisions provided against loans:

	31 December 2016	31 December 2015
Loans and Other Receivables with Limited Collectability	14.218	4.512
Loans and Other Receivables with Doubtful Collectability	18.576	17.374
Uncollectible Loans and Other Receivables	112.580	115.001
Total	**145.374**	**136.887**

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

i. Information on loans and other receivables that are restructured or rescheduled by the Parent Bank:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2016			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	233	707	7.204
31 December 2015			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	1.245	4.671

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period End Balance	**39.837**	**55.409**	**145.369**
Additions (+)	154.717	12.680	25.923
Transfers from Other Categories of Non-performing Loans (+)	-	112.644	107.942
Transfers to Other Categories of Non-performing Loans (-)	113.415	107.171	-
Collections (-)	25.637	25.392	33.921
Write-offs (-)(*)	-	2.477	68.473
Corporate and Commercial Loans	-	2.476	68.261
Consumer Loans	-	-	87
Credit Cards	-	1	125
Other	-	-	-
Balance at the End of the Period	**55.502**	**45.693**	**176.840**
Specific Provision (-)	14.218	18.576	112.580
Net Balance on Balance Sheet	**41.284**	**27.117**	**64.260**

(*) The Parent Bank has derecognized its non-performing loans from assets TL 70.950 on 28 June 2016 through selling to Mega Varlık Yönetim A.Ş. amounted TL 1.500.

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2016			
Period-End Balance	33.402	16.331	45.129
Specific Provision (-)	11.302	8.096	27.096
Net Balance on balance sheet	**22.100**	**8.235**	**18.033**
31 December 2015			
Period-End Balance	2.240	18.544	15.638
Specific Provision (-)	376	4.717	8.157
Net Balance on balance sheet	**1.864**	**13.827**	**7.481**

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	**41.284**	**27.117**	**64.260**
Loans Given to Real Persons and Legal Persons (Gross)	44.301	43.815	143.101
Specific Provision Amount (-)	12.293	17.709	89.416
Loans Given to Real Persons and Legal Persons (Net)	32.008	26.106	53.685
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	11.201	1.878	33.739
Specific Provision Amount (-)	1.925	867	23.164
Other Loans and Receivables (Net)	9.276	1.011	10.575
Prior Period (Net)	**35.325**	**38.035**	**30.368**
Loans Given to Real Persons and Legal Persons (Gross)	37.718	39.205	133.382
Specific Provision Amount (-)	4.112	11.489	103.456
Loans Given to Real Persons and Legal Persons (Net)	33.606	27.716	29.926
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	2.119	16.204	11.987
Specific Provision Amount (-)	400	5.885	11.545
Other Loans and Receivables (Net)	1.719	10.319	442

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

12. Explanations on the write-off policy:

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

f. Information on held-to-maturity investments :

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

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Bonds	-	-	-	-
Bonds and Smilar Securities	-	161.607	-	-
Other	-	-	-	-
Total	**-**	**161.607**	**-**	**-**

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

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Bonds	-	-	-	-
Bonds and Smilar Securities	-	-	-	-
Other	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

	31 December 2016	31 December 2015
Government Bond	161.607	-
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	**161.607**	**-**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

f. Information on held-to-maturity investments (Continued) :

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

	31 December 2016	31 December 2015
Debt securities	161.607	-
Publicly-traded	161.607	-
Not publicly-traded	-	-
Provision for impairment	-	-
Total	**161.607**	**-**

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

	31 December 2016	31 December 2015
Opening balance	-	-
Foreign exchange differences in monetary assets	-	-
Purchases during the year	161.607	-
Disposals through Sales and Redemptions	-	-
Value decrase equivalent (-)	-	-
Period end balance	**161.607**	**-**

g. Information on investments in associates (Net):

None (31 December 2015: None).

h. Information on subsidiaries (Net):

1. Capital adequacy situation of major subsidiaries:

   The Parent Bank does not need any capitals arising from subsidiaries who inserted capital adequacy standard ratio.

2. Information on unconsolidated subsidiaries:

   None. (31 December 2015: None).

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

   None. (31 December 2015: None).

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

4. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage(%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
2	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiaries - Burgan Portföy Yönetimi A.Ş. (*) - Burgan Wealth Limited Dubai	Istanbul/Turkey Dubai/ UAE	100,00	-

(*)According to the results the date of 30 June 2016 Burgan Portföy Yönetimi A.Ş. which is subsidiary of Burgan Yatırım Menkul Değerler A.Ş its total losses of previous periods and first six-month losses of 2016 financial year have dropped down below a 1/3 of company's capital. Through Board of Directors' decision dated 14 May 2016, company management has decided to pay off their funds and following that, company and its main partner Burgan Yatırım Menkul Değerler A.Ş. are merged. On the date of 17 May 2016, these decisions are notified in written to the Capital Market Board. On The date of 21 October 2016, by permisson of the Capital Market Board, mutual funds which is founded by Burgan Portföy Yönetimi A.Ş. started to run off.

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	1.516.541	163.221	9.771	98.518	-	23.293	21.435	-
2 (*)	178.253	74.034	5.490	14.612	2.514	(18.267)	(10.645)	-

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

6. Movement schedules of subsidiaries:

	31 December 2016	31 December 2015
Balance at the beginning of the Period	**228.722**	**217.779**
Movements during the Period	**8.449**	**10.943**
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase(*)	8.449	10.943
Impairment Provision	-	-
Balance at the end of the Period	**237.171**	**228.722**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	**99.99%**	**99,99%**

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

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Subsidiaries	31 December 2016	31 December 2015
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	172.512	137.315
Finance Companies	-	-
Other Financial Subsidiaries	64.659	91.407
Total	**237.171**	**228.722**

8. Subsidiaries quoted on stock exchange:

None (31 December 2015 : None).

i. Information on joint ventures:

None (31 December 2015 : None).

j. Information on lease receivables (net):

Presentation of financial lease receivables based on their days to maturity:

	31 December 2016		31 December 2015	
	Gross	Net	Gross	Net
Less than 1 year	453.228	360.948	346.715	277.631
Between 1-4 years	876.923	750.732	628.910	530.139
More than 4 years	215.284	198.044	143.756	120.957
Total	**1.545.435**	**1.309.724**	**1.119.381**	**928.727**

k. Information on hedging derivative financial assets:

	31 December 2016		31 December 2015	
	TP	FC	TP	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	176.246	7.940	40.809	36
Foreign Net Investment Hedge	-	-	-	-
Total	**176.246**	**7.940**	**40.809**	**36**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

l. Information on investment property:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2014				
Cost	22.101	227	60.875	83.203
Accumulated depreciation (-)	(2.100)	(145)	(41.764)	(44.009)
Net book value	**20.001**	**82**	**19.111**	**39.194**
31 December 2015				
Net book value at beginning of the period	20.001	82	19.111	39.194
Additions	20	50	32.029	32.099
Disposals (-) (net)	-	-	(517)	(517)
Impairment (-)	-	-	-	-
Depreciation (-)	(440)	(32)	(9.143)	(9.615)
Revaluation Increase	2.419	-	-	2.419
Cost at Period End	24.541	277	80.153	104.971
Accumulated Depreciation at Period End (-)	(2.541)	(177)	(38.673)	(41.391)
Closing Net Book Value at Period End	**22.000**	**100**	**41.480**	**63.580**

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2015				
Cost	24.541	277	80.153	104.971
Accumulated depreciation (-)	(2.541)	(177)	(38.673)	(41.391)
Net book value	**22.000**	**100**	**41.480**	**63.580**
31 December 2016				
Net book value at beginning of the period	22.000	100	41.480	63.580
Additions	-	9.298	11.099	20.397
Disposals (-), net	-	(100)	(122)	(222)
Impairment (-)	-	-	-	-
Depreciation (-)	456	622	9.777	10.855
Revaluation Increase	1.256	-	-	1.256
Cost at Period End	25.797	9.298	85.392	120.487
Accumulated Depreciation at Period End (-)	2.997	622	42.712	46.331
Closing Net Book Value at Period End	**22.800**	**8.676**	**42.680**	**74.156**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

m. Information on intangible assets:

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

	31 December 2016	31 December 2015
Gross Book Value	86.868	73.935
Accumulated Depreciation (-)	37.344	28.198
Net Book Value	**49.524**	**45.737**

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

	31 December 2015	31 December 2014
Beginning of the Period	**45.737**	**45.543**
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	13.034	8.246
Disposals	22	-
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	9.225	8.052
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	**49.524**	**45.737**

n. Information on investment property:

None (31 December 2015: None).

o. Information on deferred tax asset:

As of 31 December 2016, the Group has netted-off the calculated deferred tax asset of TL 27.905 (31 December 2015: TL 21.767) and deferred tax liability of TL 33.411 (31 December 2015: TL 12.471) on the basis of company in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 8.290 and deferred tax liabiliy of TL 13.796 (31 December 2015: 9.296) in the financial statements.

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

As of 31 December 2016 and 31 December 2015, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

	Accumulated Temporary Differences		**Deferred Tax Assets/Liabilities**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Carried Financial Loss (*)	18.160	21.007	3.632	4.201
Provision for Legal Cases	8.332	4.652	1.666	930
Provisions for Possible Risks	26.897	28.824	5.379	5.765
Reserve for Employee Rights	17.919	15.867	3.584	3.174
Other Provisions	25.860	19.932	5.172	3.987
Valuation difference of derivative financial instruments	-	-	-	-
Unearned Revenue	21.231	17.303	4.246	3.461
Other	21.123	1.246	4.246	249
Deferred Tax Assets	**139.522**	**108.831**	**27.905**	**21.767**
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	30.748	29.237	6.150	5.847
Valuation Differences of Derivative Instruments	127.710	32.996	25.542	6.599
Other	8.595	123	1.719	25
Deferred Tax Liabilities	**167.053**	**62.356**	**33.411**	**12.471**
Deferred Tax Assets / (Liabilities) (Net)	**(27.531)**	**46.475**	**(5.506)**	**9.296**

(*) The Group's financial losses carried forward amounting to TL 436 is usable in the corporate tax calculations until 2018, TL 6.401 until 2019 and TL 11.323 until 2021.

Movement of deferred tax asset/ liabilities is presented below:

	31 December 2016	**31 December 2015**
Balance as of 1 January	**9.296**	**17.188**
Current year deferred tax income/(expense) (net)	(12.958)	(6.066)
Deferred tax charged to equity (net)	(1.844)	(1.826)
Balance at the End of the Period	**(5.506)**	**9.296**

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

The Group has assets held for resale amounting to TL 45.511 (31 December 2015: TL 6.695) and has no discontinued operations.

Prior Period:	**31 December 2016**	**31 December 2015**
Cost	7.206	11.683
Accumulated Depreciation (-)	511	736
Net Book Value	**6.695**	**10.947**
Current Period		
Net book value at beginning of the period	6.695	10.947
Additions	41.413	2.508
Disposals (-) , net	2.131	6.504
Impairment (-)	49	-
Depreciation (-)	417	256
Cost	46.342	7.206
Accumulated Depreciation (-)	831	511
Closing Net Book Value	**45.511**	**6.695**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

r. Information on other assets:

As of 31 December 2016, other assets amount to TL 177.863 (31 December 2015: TL 136.899) and does not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 December 2016:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.555	-	147.467	1.700.052	141.681	24.122	54.300	-	**2.099.177**
Foreign Currency Deposits	347.743	-	171.874	4.002.789	637.320	158.834	77.070	-	**5.395.630**
Residents in Turkey	295.967	-	171.424	3.940.283	628.322	156.889	23.584	-	**5.216.469**
Residents Abroad	51.776	-	450	62.506	8.998	1.945	53.486	-	**179.161**
Public Sector Deposits	5.453	-	-	1.030	-	-	-	-	**6.483**
Commercial Deposits	68.310	-	90.563	321.628	54.162	2.369	1.426	-	**538.458**
Other Institutions Deposits	1.487	-	6.579	120.097	12.294	142	11.527	-	**152.126**
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.772	-	50.023	-	-	-	-	-	**56.795**
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	78	-	50.023	-	-	-	-	-	**50.101**
Foreign Banks	6.694	-	-	-	-	-	-	-	**6.694**
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**461.320**	-	**466.506**	**6.145.596**	**845.457**	**185.467**	**144.323**	-	**8.248.669**

ii. 31 December 2015:

	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	17.464	-	43.275	934.636	76.602	42.099	48.034	-	**1.162.110**
Foreign Currency Deposits	337.812	-	99.312	3.526.447	562.193	67.020	96.671	-	**4.689.455**
Residents in Turkey	310.681	-	98.807	3.507.803	547.211	64.898	53.637	-	**4.583.037**
Residents Abroad	27.131	-	505	18.644	14.982	2.122	43.034	-	**106.418**
Public Sector Deposits	14.195	-	-	-	-	-	-	-	**14.195**
Commercial Deposits	77.352	-	69.424	278.895	37.777	55.905	56.059	-	**575.412**
Other Institutions Deposits	6.265	-	9.141	70.311	108	110	34.058	-	**119.993**
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	7.097	-	43.249	-	-	-	-	-	**50.346**
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	100	-	43.249	-	-	-	-	-	**43.349**
Foreign Banks	6.997	-	-	-	-	-	-	-	**6.997**
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**460.185**	-	**264.401**	**4.810.289**	**676.680**	**165.134**	**234.822**	-	**6.611.511**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on 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**	
Saving Deposits	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Saving Deposits	568.395	418.844	1.530.782	743.266
Foreign Currency Savings Deposit	198.348	198.352	2.622.810	2.807.719
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	**766.743**	**617.196**	**4.153.592**	**3.550.985**

   ii. There are no deposits covered under foreign authorities' insurance since the Parent Bank is incorporated in Turkey.

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	31 December 2016	**31 December 2015**
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	25.687	17.299
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	**25.687**	**17.299**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b. Information on trading derivative financial liabilities:

Schedule of negative differences concerning trading derivative financial liabilities:

	31 December 2016		31 December 2015	
Trading Derivative Financial Liabilities	**TL**	**FC**	**TL**	**FC**
Forward Transactions	26.467	5.586	8.427	4.441
Swap Agreements	87.835	11.976	38.220	7.487
Futures Transactions			-	-
Options	482	18.493	56	17.685
Other	-	-	-	-
Total	**114.784**	**36.055**	**46.703**	**29.613**

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	28.601	349.959	140.264	79.499
From Foreign Banks, Institutions and Funds	69.972	2.997.576	-	2.302.485
Total	**98.573**	**3.347.535**	**140.264**	**2.381.984**

2. Information on maturity structure of borrowings:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Short-term	98.573	662.124	37.466	290.235
Medium and Long-term	-	2.685.411	102.798	2.091.749
Total	**98.573**	**3.347.535**	**140.264**	**2.381.984**

3. Additional information on the major concentration of the Group's liabilities:

The Group's main funding sources are deposits and borrowings. As of 31 December 2016, deposits and borrowings from Group's risk group comprise 0,4% (31 December 2015: 0,4%) of total deposits. Besides this, borrowings from Group's risk group comprise 43,1% (31 December 2015: 57%) of subordinated andother borrowings.

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

d. Information on marketable securities issued:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bills	49.288	-	49.255	-
Bonds	-	-	-	-
Asset guaranteed securities	-	-	-	-
Total	**49.288**	-	**49.255**	-

e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 67.278 (31 December 2015: TL 85.106) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

f. Information on lease payables (net):

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which place significant commitments on the Group.

g. Information on hedging derivative financial liabilities:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Hedging Fair Value Risk	-	-	-	-
Hedging Cash Flow Risk	27.528	1.958	15.132	-
Hedging Net Investment In Foreign Operations	-	-	-	-
Total	**27.528**	**1.958**	**15.132**	-

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

h. Information on provisions:

1. Information on general provisions:

	31 December 2016	31 December 2015
General Provisions	**90.245**	**77.497**
Provisions for First Group Loans and Receivables	80.121	57.222
Additional Provision for Loans and Receivables with Extended Maturities (*)	-	767
Provisions for Second Group Loans and Receivables	7.692	16.853
Additional Provision for Loans and Receivables with Extended Maturities	-	11.174
Provisions for Non-Cash Loans	1.913	3.246
Other	519	176

(*)As of December 14, 2016, the Bank has set aside the minimum rates stipulated in the Regulation on the Procedures and Principles for the Determination of the Characteristics of Loans and Other Receivables and the Provisions to be Made on the Banks for the Standard Cash Loans at a rate of 0,5%.

2. Information on reserve for employment termination benefits:

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

As of the date of 1 July 2016, the payment amount which is one month's salary for each working year is restricted to TL 4.297,21 (31 December 2015: TL 3.828,37). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Group. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	31 December 2016	31 December 2015
Discount rate (%)	3,15	2,74
Salary increase rate (%)	9,00	8,75
Average remaining work period (Year)	11,43	11,57

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Movement of reserve for employment termination benefits during the period:

	31 December 2016	31 December 2015
As of January 1	9.934	9.071
Service cost	2.123	1.718
Interest cost	1.022	665
Settlement cost	1.034	508
Actuarial loss/gain	(226)	585
Benefits paid (-)	3.388	2.613
Total	**10.499**	**9.934**

In addition, as of 31 December 2016 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 19.059 (31 December 2015: TL 16.883).

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2016	31 December 2015
Provisions for potential risks (*)	26.784	28.824
Total	**26.784**	**28.824**

(*) Provisions for the Bank's potential risks in credit portfolio.

ii. Information on other provisions:

The Group set aside under other provisions amounting to TL 8.445 (31 December 2015: TL 4.652) for lawsuits, TL 2.038 (31 December 2015: TL 1.941) for non-cash loans, TL 1.301 (31 December 2015: TL 1.192) for customer cheques commitments, TL 143 (31 December 2015: TL 62) for credit card loyalty points and TL 220 (31 December 2015: TL 183) for other receivables.

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

As of 31 December 2016, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 14 (31 December 2015: TL 3.128) 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 2016, after prepaid tax amount is netted off, the corporate tax provision of the Bank is TL 236 (31 December 2015: 3.567).

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on taxes payable:

	31 December 2016	31 December 2015
Corporate Tax Payable	236	3.567
Taxation of Marketable Securities	9.327	7.154
Property Tax	137	168
Banking Insurance Transaction Tax	6.129	6.208
Value Added Tax Payable	404	629
Other	3.114	3.378
Total	**19.347**	**21.104**

3. Information on premium payables:

	31 December 2016	31 December 2015
Social Security Premiums-Employee	2.090	1.099
Social Security Premiums-Employer	2.577	1.303
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	135	61
Unemployment Insurance-Employer	271	120
Other	-	-
Total	**5.073**	**2.583**

4. As of 31 December 2016, the Group has netted-off the calculated deferred tax asset of TL 27.905 (31 December 2015: TL 21.767) and deferred tax liability of TL 33.411 (31 December 2015: TL 12.471) in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 8.290 (31 December 2015: TL 9.296) and deferred tax liabiliy of TL 13.796 in the financial statements.

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

None (31 December 2015: None).

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

k. Information on subordinated loans:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	06.12.2013	04.12.2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	30.03.2016	30.03.2026	LIBOR+3,75

The subordinated loan does not have the option to be converted into stock certificate.

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.057.478	-	438.893
Other Foreign	-	-	-	-
Total	**-**	**1.057.478**	**-**	**438.893**

l. Information on shareholders' equity:

1. Presentation of paid-in capital:

	31 December 2016	31 December 2015
Common Stock	900.000	900.000
Preferred Stock	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	1.000.000

3. Information on the share capital increases during the period and their sources:

None.

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.

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information on capital by considering the Parent Bank's profitability, prior period indicators on liquidity and uncertainty on these indicators:

   The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

   Based on the Principal Agreement, the Parent Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.

8. Information on marketable securities valuation reserve:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(872)	(6.999)	(1.521)	(857)
Foreign Currency Translation Difference	-	-	-	-
Total	**(872)**	**(6.999)**	**(1.521)**	**(857)**

9. Information on tangible assets revaluation reserve:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Movables	-	-	-	-
Immovables	16.127	-	15.122	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	-	-	-	-
Total	**16.127**	**-**	**15.122**	**-**

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

    The profit of the 2016 , TL 52.169 is not distributed. It is classified as TL 1.071 is legal reserve, TL 4.813 is extraordinary reserve and TL 46.285 is absorbed from losses of previous period.

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 December 2016	31 December 2015
Foreign currency buy/sell commitments	576.525	495.701
Commitments for cheques	302.867	299.665
Loan limit commitments	105.005	128.409
Forward securities commitments	618	-
Commitments for credit card limits	17.475	25.825
Capital Commitments for subsidiaries	14.997	-
Blocked cheques given to customers	-	3.300
Promotions for the credit cards and their care services	14	19
Total	**1.017.501**	**952.919**

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 2016	31 December 2015
Letter of guarantees	1.584.427	1.225.235
Bank acceptance loans	256.635	195.057
Letter of credits	130.717	97.280
Other guarantees	10.429	26.555
Factoring guarantees	28	28
Total	**1.982.236**	**1.544.155**

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Irrevocable letters of guarantee	612.453	389.228	528.011	311.264
Revocable letters of guarantee	18.689	58.023	24.858	30.931
Guarantees given to customs	73.964	33.691	51.280	30.677
Letters of guarantee given in advance	9.089	161.826	9.069	116.668
Other letters of guarantee	16.724	210.740	15.074	107.403
Total	**730.919**	**853.508**	**628.292**	**596.943**

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued):

3. i. Total amount of non-cash loans:

	31 December 2016	31 December 2015
Non-cash loans given against cash loans	229.648	143.161
With original maturity of 1 year or less than 1year	-	-
With original maturity of more than 1 year	229.648	143.161
Other non-cash loans	1.752.588	1.400.994
Total	**1.982.236**	**1.544.155**

ii. Information on sectoral concentration of non-cash loans:

	31 December 2015				31 December 2014			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**1.001**	**0,14**	**8.235**	**0,66**	**10.761**	**1,70**	**8.803**	**0,96**
Farming and Livestock	772	0,11	8.235	0,66	10.498	1,66	8.803	0,96
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,03	-	-	263	0,04	-	-
Manufacturing	253.533	34,51	593.507	47,57	193.898	30,70	484.018	53,04
Mining	103.731	14,12	128.295	10,28	12.403	1,96	84.198	9,23
Production	141.345	19,24	461.962	37,03	167.702	26,55	396.047	43,40
Electric, Gas, Water	8.457	1,15	3.250	0,26	13.793	2,18	3.773	0,41
Construction	**213.385**	**29,04**	**372.048**	**29,82**	**173.363**	**27,45**	**259.092**	**28,39**
Services	**250.629**	**34,11**	**273.116**	**21,89**	**236.264**	**37,40**	**158.234**	**17,34**
Wholesale and Retail Trade	86.510	11,77	76.906	6,16	128.311	20,31	73.087	8,01
Hotel and Food Services	9.255	1,26	21.858	1,75	8.546	1,35	2.261	0,25
Transportation and Telecommunication	22.856	3,11	12.418	1,00	22.313	3,53	16.243	1,78
Financial Institutions	109.858	14,95	135.025	10,82	48.875	7,74	38.049	4,17
Real Estate and Leasing Ser.	11.915	1,62	20.752	1,66	18.943	3,00	25.802	2,83
Professional Services	6.187	0,84	-	-	2.575	0,41	-	-
Education Services	66	0,01	951	0,08	98	0,02	-	-
Health and Social Services	3.982	0,54	5.206	0,42	6.603	1,05	2.792	0,31
Other	**16.149**	**2,20**	**633**	**0,05**	**17.386**	**2,75**	**2.336**	**0,26**
Total	**734.697**	**100**	**1.247.539**	**100**	**631.672**	**100**	**912.483**	**100**

ii. Information on non-cash loans classified in 1st and 2nd group:

	Group I		Group II	
Current Period (*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	699.027	835.452	27.458	18.006
Bank Acceptances	3.750	126.967	-	-
Letters of Credit	-	256.035	-	600
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	10.429	-	-
Total	**702.805**	**1.228.883**	**27.458**	**18.606**

(*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 4.484. As of 31 December 2016, the Group has recorded a TL 2.038 provision regarding these risks.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Countinued):

b. Information on derivative financial instruments:

	31 December 2016	31 December 2015
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	**11.808.728**	**12.055.808**
Currency forward transactions	1.016.154	1.324.583
Currency swap transactions	5.016.229	5.706.479
Futures transactions	-	-
Options	5.776.345	5.024.746
Interest related derivative transactions (II)	**6.278.116**	**4.156.866**
Forward rate agreements	-	-
Interest rate swaps	6.278.116	4.156.866
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	**2.220**	**1.354**
A. Total trading derivative transactions (I+II)	**18.089.064**	**16.214.028**
Types of hedging transactions	**2.703.500**	**984.772**
Fair value hedges	-	-
Cash flow hedges	2.703.500	984.772
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	**2.703.500**	**984.772**
Total derivative transactions (A+B)	**20.792.564**	**17.198.800**

c. Investment Funds:

As of 31 December 2016, the Group is the founder of 6 investment funds (31 December 2015: 6) with a total fund value of TL 11.033 (31 December 2015: TL 24.248) and these funds are managed by Burgan Portföy Yönetimi A.Ş. The shares of the investment funds established in accordance with the Capital Markets Board Legislation are kept dematerialized by Central Registry Agency Inc. The Group has prepared its financial statements in accordance with going concern. Total amount of retained losses and losses of 2016 has dropped under 1/3 of company capital in financial statements in accordance with the results of the Company as of December 31, 2016. The Company management has decided to the liquidation of funds, founded and managed by the Company itself, and merger of the Company to its Main Partner, Burgan Yatırım Menkul Değerler A.Ş., through fast merger method with respect to decision of Board of Directors dated May 14, 2016 and the aforementioned decision has been submitted to Capital Markets Board on May 17, 2016. The liquidation of funds was approved in accordance with the letter of the Board dated October 21, 2016 and numbered 11058 and the Company announced that the funds shall be liquidated on May 2, 2017. In addition, it is stated that there exist a minimum shareholder's equity deficit amounting to TL 68.977 in accordance with the unaudited capital adequacy results of the Company dated February 28, 2017. The Company Management has declared that it shall take required actions and legal steps following the completion of liquidation of funds.

d. Information on contingent assets and contingent liabilities:

As of 31 December 2016, the total amount of legal cases against the Group is TL 46.548 (31 December 2015: TL 34.582) and the Parent Bank sets aside a provision of TL 8.445 (31 December 2015: TL 4.652) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at "Denizli Tax Authority" and "Denizli Civil Court of General Jurisdiction" for cancellation of the payment order of TL 25.459, which was notified to the Parent Bank. The transactions have been stopped with obtaining injuction in response to 15% collateral. The law cases in local courts have resulted in favor of the Parent Bank. The cases are at the appeal phase. As a result, the Parent Bank did not book any provision.

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued):

e. Brief information on the Bank's rating given by International Rating Institutions:

FITCH (26 August 2016)	
Outlook	Stable
Long Term FC	BBB-
Short Term FC	F3
Long Term TL	BBB-
Short Term TL	F3
Viability Note	b+
Support Rating	2
National Rating	AAA(tur)

MOODY'S (26 September 2016)	
Outlook	Stable
Long Term FC	Ba3
Short Term FC	Not Prime
Long Term TL	Ba3
Short Term TL	Not Prime

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans :

	31 December 2016		31 December 2015	
Interest Income on Loans(*)	**TL**	**FC**	**TL**	**FC**
Short-term Loans	331.251	19.672	332.722	16.632
Medium/Long-term Loans	212.962	262.328	141.763	192.752
Interest on Loans Under Follow-up	5.176	-	4.119	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	**549.389**	**282.000**	**478.604**	**209.384**

(*) Includes fee and commission income related with cash loans.

2. Information on interest income on banks:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
From the CBRT	-	-	-	-
From Domestic Banks	2.979	325	3.568	95
From Foreign Banks	-	17	-	32
Headquarters and Branches Abroad	-	-	-	-
Total	**2.979**	**342**	**3.568**	**127**

3. Information on marketable securities:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
From Trading Financial Assets	5.315	239	3.590	60
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	22.372	12.613	26.090	5.618
From Held-to-Maturity Investments	-	1.839	-	-
Total	**27.687**	**14.691**	**29.680**	**5.678**

4. Information on interest income received from investments in associates and subsidiaries:

None (31 December 2015: None).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
Banks	**12.527**	**111.614**	**13.040**	**79.286**
The CBRT	-	-	-	-
Domestic Banks	12.522	1.064	13.025	1.094
Foreign Banks	5	110.550	15	78.192
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	**-**	**9.863**	**-**	**-**
Total(*)	**12.527**	**121.477**	**13.040**	**79.286**

(*) Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries:

None (31 December 2015: None).

3. Information on interest expense on issued securities

	31 December 2016	31 December 2015
Interest expense on issued securities	10.383	4.692

4. Information on interest rate and maturity structure of deposits:

		Time Deposit						
Current Period	**Demand Deposit**	**Up to 1 Month**	**Up to 3 Months**	**Up to 6 Months**	**Up to 1 Year**	**Over 1 Year**	**Accum. Deposit**	**Total**
TL								
Bank Deposits	9	470	-	-	-	-	-	479
Savings Deposits	-	8.215	163.092	19.446	9.397	7.460	-	207.610
Public Deposits	-	5	79	-	-	-	-	84
Commercial Deposits	-	9.366	39.007	4.932	3.578	4.634	-	61.517
Other Deposits	-	387	9.160	1.920	323	3.356	-	15.146
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Total	**9**	**18.443**	**211.338**	**26.298**	**13.298**	**15.450**	**-**	**284.836**
FC								
Foreign Currency Account	-	2.427	90.418	14.693	2.234	2.112	-	111.884
Bank Deposits	-	204	-	-	-	-	-	204
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	**-**	**2.631**	**90.418**	**14.693**	**2.234**	**2.112**	**-**	**112.088**
Sum Total	**9**	**21.074**	**301.756**	**40.991**	**15.532**	**17.562**	**-**	**396.924**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

c. Information on dividend income:

	31 December 2016	31 December 2015
Trading FinancialAssets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale FinancialAssets	627	542
Other	-	-
Total	**627**	**542**

d. Information on trading loss/income (Net):

	31 December 2016	31 December 2015
Income	**14.187.946**	**14.350.055**
Capital Market Transactions	27.394	32.126
Derivative Financial Transactions	46.277	18.387
Foreign Exchange Gains	14.114.275	14.299.542
Loss (-)	**14.163.398**	**14.317.367**
Capital Market Transactions	19.415	27.188
Derivative Financial Transactions	33.672	27.415
Foreign Exchange Loss	14.110.311	14.262.764
Net Income/(Loss)	**24.548**	**32.688**

e. Information on other operating income:

As of 31 December 2016, the Group's other operating income is TL 19.476 (31 December 2015: TL 19.347). TL 1.247 (31 December 2015: TL 5.011) of the amount of the other operating income is composed of profit from sales of the fixed assets that were classified as "Asset Held for Resale" of the Parent Bank.

f. Provision expenses related to loans and other receivables:

	31 December 2016	31 December 2015
Specific Provisions for Loans and Other Receivables	73.815	69.776
III. Group Loans and Receivables	15.002	4.628
IV. Group Loans and Receivables	16.479	13.306
V. Group Loans and Receivables	42.334	51.842
General Provision Expenses	7.157	7.897
Provision Expense for Possible Risks	(4.242)	14.709
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	**76.730**	**92.382**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

g. Information related to other operating expenses:

	31 December 2016	31 December 2015
Personnel Expenses	172.980	161.848
Reserve For Employee Termination Benefits (*)	4.567	2.870
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	10.855	9.615
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	9.225	8.052
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	49	-
Depreciation Expenses of Assets Held for Resale	417	256
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	104.368	112.806
Operational Lease Expenses	29.741	32.574
Maintenance Expenses	3.272	2.692
Advertising Expenses	1.224	600
Other Expense	70.131	76.940
Loss on Sales of Assets	298	580
Other (**)	27.729	5.892
Total	**330.488**	**301.919**

(*) As of 31 December 2016, the employee vacation fee provision income is TL 399. (31 December 2015: TL 40).
(**) In the prior period's other compenent; in consequence of arising a positive law case, provision of TL 13.220 was cancelled, TL 14.758 income was recorded.

h. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations. The Group's income before tax from continuing operations is TL 97.739. (31 December 2015: TL 68.928 income before tax).

i. Information on provision for taxes from discontinued and continuing operations:

The Group has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

   As of 31 December 2016, the Group has current tax expense amounting to TL13.108 and deferred tax expense amounting to TL 12.958.

2. Explanations on deferred tax income or expense arising from the temporary differences occurred or have been closed:

   The Group has TL 3.951 deferred tax income from temporary differences, TL 828 deferred tax income from carried financial loss, TL 17.737 deferred tax expense and income due to temporary differences closed to net TL 12.958 deferred tax expense.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

3. Information on recognition of temporary difference, financial loss, diminution of tax and exceptions on income statement:

   As of 31 December 2016, the Group has TL 13.786 deferred tax expense arising from temporary differences and TL 828 deferred tax income as a result of carried financial loss.

j. Information on net income/ (loss) before taxes from discontinued and continuing operations:

The Group has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

k. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items' composition is necessary to understand the annual performance of Bank, the composition and amount of these items:

   None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

   None.

l. Information on other income and expenses:

1. As of 31 December 2016, the Group's interest income amounts to TL 1.246.480 (31 December 2015: TL 924.709) and TL 261.736 (31 December 2015: TL 120.099) of the related amount is classified as "Other Interest Income" account in income statement.

	31 December 2016	31 December 2015
Other Interest Income		
Interest income related to derivative transactions	242.864	108.571
Other	18.872	11.528
Total	**261.736**	**120.099**

2. As of 31 December 2016, the Group's interest expense amount to TL 826.287 (31 December 2015: TL 559.611) and TL 260.258 (31 December 2015: TL 163.152) of the related amount is classified "Other Interest Expense" account in income statement.

	31 December 2016	31 December 2015
Other Interest Expense		
Interest expense related to derivative transactions	241.696	162.070
Other	18.562	1.082
Total	**260.258**	**163.152**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued):

3. As of 31 December 2016, the Group's fee and commission income amounts to TL 48.671 (31 December 2015: TL 58.178) and TL 34.294 (31 December 2015: TL 46.456) of the related amount is classified under "Other fee and commission income" account.

	31 December 2016	31 December 2015
Other Fee and Commissions Received		
Commissions From Brokerage Activity-Leveraged Trading	5.566	6.169
Commissions From Brokerage Activity in Istanbul Stock Exchange	4.952	8.829
Commissions From Brokerage Activity in Turkish Derivative Exchange	3.827	11.664
Credit Card and POS Transaction Commission	3.301	2.161
Insurance Commissions	3.277	1.862
Investment Consultancy Fees	1.439	1.763
Transfer Commissions	1.040	1.396
Commissions on Investment Fund Services	899	4.706
Commissions from Correspondent Banks	404	406
Ortak Nokta Commissions	319	503
Letter of Credit Commissions	99	116
Commissions from Credit Comissions	12	20
Other	9.159	6.861
Total	**34.294**	**46.456**

4. As of 31 December 2016, Group's fee and commission expense amounts to TL 8.558 (31 December 2015: TL 12.624) and TL 7.953 (31 December 2015: TL 12.069) of the related amount is classified under "Other fee and commission expense" account.

	31 December 2016	31 December 2015
Other Fee and Commissions Given		
Credit Card Transaction Commission	3.037	5.127
Stock Exchange Contribution Expenses	1.617	2.247
Commissions Granted to Correspondent Banks	865	848
EFT Commissions	662	593
Ortak Nokta Clearing Commissions	415	461
Transfer Commissions	103	136
Other	1.254	2.657
Total	**7.953**	**12.069**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

a. Information on change in the shareholder structure of the Bank:

There is no change in Parent Bank's partnership structure in 2016.

b. Information on distribution of profit:

According to the decision of the Parent Bank held at the Ordinary General Assembly Meeting held on 31 March 2016; While adapting TAS 27 Standard, the profit of 2015, TL 52.169 was not distributed, TL 1.071 was allocated as legal reserves, TL 4.813 as extraordinary reserves, TL 46.285 had been deducted from the losses.

c. Information on capital increase:

There is no capital increase in 2016.

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 2016		31 December 2015	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(872)	(6.999)	(1.521)	(857)
Foreign Currency Difference	-	-	-	-
Total	**(872)**	**(6.999)**	**(1.521)**	**(857)**

e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL1.005 net of tax (31 December 2015: TL 1.935) is accounted under "Revaluation differences of tangible assets and intangible assets".

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalent assets:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as "Cash"; interbank money market and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

1. Cash and cash equivalents at the beginning of period:

	31 December 2016	31 December 2015
Cash	**376.251**	**393.945**
Cash, Foreign Currency and Other	26.414	30.166
Demand Deposits in Banks	349.837	363.779
Cash Equivalents	**198.231**	**239.205**
Interbank Money Market	22.195	130.141
Time Deposits in Bank	176.036	109.064
Total Cash and Cash Equivalents	**574.482**	**633.150**

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

2. Cash and cash equivalents at the end of the period:

	31 December 2016	31 December 2015
Cash	**415.275**	**376.251**
Cash, Foreign Currency and Other	26.850	26.414
Demand Deposits in Banks	388.424	349.837
Cash Equivalents	**334.286**	**198.231**
Interbank Money Market	16.690	22.195
Time Deposits in Bank	317.596	176.036
Total Cash and Cash Equivalents	**749.561**	**574.482**

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 285.995 TL (31 December 2015: negative TL 203.626) 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 132.822 (31 December 2015: negative TL 51.804) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2016, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive TL 45.407 (31 December 2015: positive TL 13.347).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP

a. The volume of transactions relating to the Group's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Prior period financial information is presented as at 31 December 2015 for balance sheet and as at 31 December 2015 for income statements items.

31 December 2016:

Groups' Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Balance at the Beginning of the Period	-	23.519	-	219	89	8.753
Balance at the End of the Period	-	27.908	-	-	113	68.425
Interest and Commission Income Received	**-**	**-**	**-**	**-**	**6**	**-**

(*) Defined in Article 49 of subsection 2 of the Banking Act No. 5411.

31 December 2015:

Groups' Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Loans and Other Receivables	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**	**Cash**	**Non-Cash**
Balance at the Beginning of the Period	-	18.079	-	-	24	26.972
Balance at the End of the Period	-	23.519	-	219	89	8.753
Interest and Commission Income Received	**-**	**-**	**-**	**-**	**7**	**-**

(*) Defined in Article 49 of subsection 2 of the Banking Act No. 5411.

2. Information on deposits and repurchase transactions of the Group's risk group:

Groups' Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Deposit	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	6.184	21.433	17.841	13.257
End of the Period	-	-	5.656	6.184	26.005	17.841
Interest Expense on Deposits	-	-	-	-	1.238	967

(*) Defined in Article 49 of subsection 2 of the Banking Act No. 5411.

Groups' Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Repurchase Transactions	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

(*) Defined in Article 49 of subsection 2 of the Banking Act No. 5411.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Group's risk group:

Groups' Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Transactions for trading purposes	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**	**Current Period**	**Prior Period**
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-
	-	-	-	-	-	-
Transactions for hedging purposes	-	-	-	-	-	-
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*) Defined in Article 49 of subsection 2 of the Banking Act No. 5411.

b. With respect to the Group's risk group:

1. The relations with entities that are included in the Group's risk group and controlled by the Group:

   The Group performs various transactions with related parties during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Share in Financial Statements (%)
Borrowings	1.941.540	43,11
Non-cash loans	96.333	4,86
Deposit	31.661	0,38
Banks and Other Financial Institutions	130	0,04
Loans	113	-

As of 31 December 2016, the Group has realized interest expense amounting to TL 62.857 (31 December 2015: TL 51.244) on loans borrowed from the direct shareholders.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP (Continued):

3. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

   In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Paren Bank's risk group and the amount composes 0,76% (31 December 2015: 0,33%) of the Group's total cash and non-cash loans.

   As of 31 December 2016 there are no purchase-sales transactions on any assets including real-estate with the risk group consisting the Parent Bank.

   As of 31 December 2016 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Parent Bank is included.

c. Information on benefits provided to top management:

Top management of the Group is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 22.886 (31 December 2015: TL 22.044) which include total gross salary, travel, meal, health, life insurance and other expenses.

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number			
Domestic Branch	49	994			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	Statutory share capital
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO GROUP'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The consolidated financial statements as of 31 December 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor's independent limited audit report dated 10 March 2017 has been presented prior to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

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