

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

BURGAN BANK A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
TOGETHER WITH INDEPENDENT LIMITED REVIEW REPORT
AT 31 MARCH 2017**

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the unconsolidated statement of financial position of Burgan Bank A.Ş. (“the Bank”) at 31 March 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as “BRSA Accounting and Reporting Legislation”) and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Burgan Bank A.Ş. at 31 March 2017 and of the results of its operations and its cash flows for the three-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

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

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

Fatma Ebru Yücel
Partner, SMMM

İstanbul, 12 May 2017

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

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

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

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

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

12 May 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 CİĞA
Head of Accounting,
Tax, and
Reporting Unit

Halil CANTEKİN
Head of the
Audit Committee

Adrian Alejandro
GOSTUSKI
Member of the Audit Committee

Osama T. AL GHOUSSEIN
Member of the
Audit Committee

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

Name-Surname/Title : Ahmet CİĞA / Head of Accounting, Tax, and Reporting Unit
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(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE NOTE I. OF SECTION THREE)

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2017

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

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

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

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BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2017

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

GENERAL INFORMATION (Continued)

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

The Bank’s registered capital ceiling is 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), Jordan (Jordan Kuwait Bank) and Tunisia (Tunis International Bank).

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2017

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

GENERAL INFORMATION (Continued)

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

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors:	Mehmet Nazmi Erten	Chairman of Board of Directors	Undergraduate
Board of Directors Members:	Faisal M.A. Al Radwan	Vice President	Undergraduate
	Eduardo Eguren Linsen	Member	Undergraduate
	Majed E.A.A. Al Ajeel	Member	Graduate
	Adrian Alejandro Gostuski	Member	Graduate
	Mehmet Alev Göçmez	Member	Graduate
	Halil Cantekin	Member	Undergraduate
	Osama T. Al Ghoussein	Member	Undergraduate
	Ali Murat Dinç	Member and General Manager	Graduate
General Manager:	Ali Murat Dinç	Member and General Manager	Graduate
Vice General Managers:	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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2017

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

GENERAL INFORMATION (Continued)

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES:

Name/Commercial title	Share Amounts	Share percentage	Paid-in Capital	Unpaid portion
Burgan Bank K.P.S.C	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 March 2017, the Bank has 49 branches operating in Turkey (31 December 2016: 49). The Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 March 2017, the Bank has 992 (31 December 2016: 994) employees.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)

AT 31 MARCH 2017 AND 31 DECEMBER 2016

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

I. BALANCE SHEET		Note (Section Five)	(31/03/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
ASSETS								
I.	CASH AND BALANCES WITH CENTRAL BANK	I-a	153.344	1.240.362	1.393.706	161.250	1.157.611	1.318.861
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	72.025	70.421	142.446	73.053	51.786	124.839
2.1	Trading Financial Assets		72.025	70.421	142.446	73.053	51.786	124.839
2.1.1	Government Debt Securities		8.649	1.793	10.442	11.975	840	12.815
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		63.376	61.347	124.723	61.078	50.111	111.189
2.1.4	Other Marketable Securities		-	7.281	7.281	-	835	835
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	I-c	419.190	187.128	606.318	22	239.636	239.658
IV.	MONEY MARKETS							
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-d	315.385	180.130	495.515	346.982	168.612	515.594
5.1	Share Certificates		6.849	-	6.849	6.849	-	6.849
5.2	Government Debt Securities		308.105	98.297	406.402	338.714	92.465	431.179
5.3	Other Marketable Securities		431	81.833	82.264	1.419	76.147	77.566
VI.	LOANS	I-e	4.775.331	6.200.128	10.975.459	4.620.245	6.064.455	10.684.700
6.1	Loans		4.662.400	6.200.128	10.862.528	4.508.446	6.064.455	10.572.901
6.1.1	Loans to Bank's Risk Group		19.745	5	19.750	106	7	113
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		4.642.655	6.200.123	10.842.778	4.508.340	6.064.448	10.572.788
6.2	Loans under Follow-up		242.201	-	242.201	231.217	-	231.217
6.3	Specific Provisions (-)		129.270	-	129.270	119.418	-	119.418
VII.	FACTORING RECEIVABLES	I-e	17	654	671	123	704	827
VIII.	HELD-TO-MATURITY SECURITIES (Net)	I-f	-	164.191	164.191	-	161.607	161.607
8.1	Government Debt Securities		-	164.191	164.191	-	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	239.986	-	239.986	237.171	-	237.171
10.1	Unconsolidated Financial Subsidiaries		239.986	-	239.986	237.171	-	237.171
10.2	Unconsolidated non-Financial Subsidiaries		-	-	-	-	-	-
XI.	JOINT VENTURES (Net)	I-i	-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	I-j	-	-	-	-	-	-
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	I-k	205.928	5.322	211.250	176.246	4.771	181.017
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		205.928	5.322	211.250	176.246	4.771	181.017
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)		57.376	-	57.376	58.999	-	58.999
XV.	INTANGIBLE ASSETS (Net)		44.251	-	44.251	46.352	-	46.352
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		44.251	-	44.251	46.352	-	46.352
XVI.	INVESTMENT PROPERTY (Net)	I-l	-	-	-	-	-	-
XVII.	TAX ASSET		1.627	-	1.627	1.463	-	1.463
17.1	Current Tax Asset		1.627	-	1.627	1.463	-	1.463
17.2	Deferred Tax Asset	I-m	-	-	-	-	-	-
XVIII.	ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	I-n	50.738	-	50.738	45.165	-	45.165
18.1	Held for Resale		50.738	-	50.738	45.165	-	45.165
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	I-o	72.629	19.535	92.164	55.806	49.557	105.363
TOTAL ASSETS			6.407.827	8.067.871	14.475.698	5.822.877	7.898.739	13.721.616

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)

AT 31 MARCH 2017 AND 31 DECEMBER 2016

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

I. BALANCE SHEET	Note (Section Five)	(31/03/2017)			(31/12/2016)		
		TL	FC	Total	TL	FC	Total
LIABILITIES							
I. DEPOSITS	II-a	3.009.302	5.986.399	8.995.701	2.853.924	5.455.909	8.309.833
1.1 Deposits of Bank's Risk Group		20.376	33.210	53.586	14.322	78.503	92.825
1.2 Other		2.988.926	5.953.189	8.942.115	2.839.602	5.377.406	8.217.008
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	II-b	82.116	40.464	122.580	130.824	36.078	166.902
III. BORROWINGS	II-c	23.799	2.193.343	2.217.142	24.711	2.182.008	2.206.719
IV. MONEY MARKETS		160.086	190.827	350.913	212.082	185.428	397.510
4.1 Funds from Interbank Money Market		-	-	-	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	4.502	-	4.502
4.3 Funds Provided Under Repurchase Agreements		160.086	190.827	350.913	207.580	185.428	393.008
V. MARKETABLE SECURITIES ISSUED (Net)	II-d						
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS							
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		34.073	188.455	222.528	43.643	159.287	202.930
VIII. OTHER LIABILITIES	II-e	93.959	12.214	106.173	61.368	5.905	67.273
IX. FACTORING PAYABLES							
X. LEASE PAYABLES (Net)	II-f						
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	II-g	34.056	1.876	35.932	27.528	1.958	29.486
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		34.056	1.876	35.932	27.528	1.958	29.486
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	II-h	90.235	76.099	166.334	79.963	73.726	153.689
12.1 General Loan Loss Provision		39.614	55.072	94.686	36.460	53.785	90.245
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		18.437	-	18.437	26.123	-	26.123
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		32.184	21.027	53.211	17.380	19.941	37.321
XIII. TAX LIABILITY	II-i	43.957		43.957	37.238		37.238
13.1 Current Tax Liability		21.742	-	21.742	23.442	-	23.442
13.2 Deferred Tax Liability		22.215	-	22.215	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		1.092.693	1.092.693		1.057.478	1.057.478
XVI. SHAREHOLDERS' EQUITY	II-l	1.122.185	(440)	1.121.745	1.097.572	(5.014)	1.092.558
16.1 Paid-in Capital		900.000	-	900.000	900.000	-	900.000
16.2 Capital Reserves		36.559	(440)	36.119	32.810	(5.014)	27.796
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Reserve		(1.214)	(2.840)	(4.054)	(872)	(6.999)	(7.871)
16.2.4 Tangible Assets Revaluation Reserve		16.127	-	16.127	16.127	-	16.127
16.2.5 Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8 Hedging Reserves (Effective portion)		24.021	2.400	26.421	19.930	1.985	21.915
16.2.9 Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(2.375)	-	(2.375)	(2.375)	-	(2.375)
16.3 Profit Reserves		164.762	-	164.762	93.089	-	93.089
16.3.1 Legal Reserves		21.342	-	21.342	20.178	-	20.178
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		143.420	-	143.420	72.911	-	72.911
16.3.4 Other Profit Reserves		-	-	-	-	-	-
16.4 Income or (Loss)		20.864	-	20.864	71.673	-	71.673
16.4.1 Prior Years' Income/ (Loss)		-	-	-	-	-	-
16.4.2 Current Year Income/ (Loss)		20.864	-	20.864	71.673	-	71.673
TOTAL LIABILITIES		4.693.768	9.781.930	14.475.698	4.568.853	9.152.763	13.721.616

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

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

BURGAN BANK A.Ş.

**UNCONSOLIDATED OFF-BALANCE SHEETS COMMITMENTS AT
31 MARCH 2017 AND 31 DECEMBER 2016**

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

II.	OFF-BALANCE SHEET	Note(Section Five)	(31/03/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		7.703.615	22.226.967	29.930.582	6.451.280	17.996.288	24.447.568
I.	GUARANTEES AND WARRANTIES	III-a-2-3	743.821	1.389.626	2.133.447	734.697	1.247.539	1.982.236
1.1	Letters of Guarantee		739.513	973.536	1.713.049	730.919	853.508	1.584.427
1.1.1	Guarantees Subject to State Tender Law		6.766	5.273	12.039	7.398	4.575	11.973
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		732.747	968.263	1.701.010	723.521	848.933	1.572.454
1.2	Bank Acceptances		4.280	87.273	91.553	3.750	126.967	130.717
1.2.1	Import Letter of Acceptance		4.280	87.273	91.553	3.750	126.967	130.717
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	318.385	318.385	-	256.635	256.635
1.3.1	Documentary Letters of Credit		-	318.385	318.385	-	256.635	256.635
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		28	-	28	28	-	28
1.8	Other Guarantees		-	10.432	10.432	-	10.429	10.429
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	III-a-1	986.392	507.604	1.493.996	665.226	392.275	1.057.501
2.1	Irrevocable Commitments		986.392	507.604	1.493.996	665.226	392.275	1.057.501
2.1.1	Asset Purchase and Sales Commitments		484.420	507.604	992.024	184.868	392.275	577.143
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		14.997	-	14.997	14.997	-	14.997
2.1.4	Commitments for Loan Limits		147.167	-	147.167	145.005	-	145.005
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		325.269	-	325.269	302.867	-	302.867
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		14.530	-	14.530	17.475	-	17.475
2.1.10	Promotion Commitments for Credit Cards and Banking Services		9	-	9	14	-	14
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		5.973.402	20.329.737	26.303.139	5.051.357	16.356.474	21.407.831
3.1	Hedging Derivative Financial Instruments		644.850	2.227.423	2.872.273	587.700	1.693.496	2.281.196
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		644.850	2.227.423	2.872.273	587.700	1.693.496	2.281.196
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		5.328.552	18.102.314	23.430.866	4.463.657	14.662.978	19.126.635
3.2.1	Forward Foreign Currency Buy/Sell Transactions		616.306	1.102.366	1.718.672	329.245	686.909	1.016.154
3.2.1.1	Forward Foreign Currency Transactions-Buy		485.873	380.640	866.513	205.259	297.660	502.919
3.2.1.2	Forward Foreign Currency Transactions-Sell		130.433	721.726	852.159	123.986	389.249	513.235
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		2.702.496	12.304.920	15.007.416	2.787.163	9.546.973	12.334.136
3.2.2.1	Foreign Currency Swap-Buy		878.058	2.621.529	3.499.587	1.379.714	1.201.567	2.581.281
3.2.2.2	Foreign Currency Swap-Sell		1.384.438	2.140.241	3.524.679	967.449	1.662.682	2.630.131
3.2.2.3	Interest Rate Swap-Buy		220.000	3.771.575	3.991.575	220.000	3.341.362	3.561.362
3.2.2.4	Interest Rate Swap-Sell		220.000	3.771.575	3.991.575	220.000	3.341.362	3.561.362
3.2.3	Foreign Currency, Interest rate and Securities Options		2.009.750	4.695.028	6.704.778	1.347.249	4.429.096	5.776.345
3.2.3.1	Foreign Currency Options-Buy		1.073.535	2.284.253	3.357.788	734.860	2.151.650	2.886.510
3.2.3.2	Foreign Currency Options-Sell		936.215	2.410.775	3.346.990	612.389	2.277.446	2.889.835
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		30.115.466	22.160.755	52.276.221	29.670.012	19.941.092	49.611.104
IV.	ITEMS HELD IN CUSTODY		1.035.376	137.424	1.172.800	1.331.012	136.089	1.467.101
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		106.645	42.324	148.969	277.886	31.344	309.230
4.3	Cheques Received for Collection		873.088	77.443	950.531	985.735	85.790	1.071.525
4.4	Commercial Notes Received for Collection		55.643	17.657	73.300	67.391	18.955	86.346
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		29.080.090	22.020.903	51.100.993	28.339.000	19.802.011	48.141.011
5.1	Marketable Securities		1.043	-	1.043	2.650	-	2.650
5.2	Guarantee Notes		19.158.896	10.154.807	29.313.703	18.791.720	9.532.145	28.323.865
5.3	Commodity		1.008.262	7.842	1.016.104	963.418	9.139	972.557
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		8.511.978	8.789.929	17.301.907	8.098.494	7.156.032	15.254.526
5.6	Other Pledged Items		399.911	3.068.325	3.468.236	482.718	3.104.695	3.587.413
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	2.428	2.428	-	2.992	2,992
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		37.819.081	44.387.722	82.206.803	36.121.292	37.937.380	74.058.672

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2017 AND 31 MARCH 2016

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

III. INCOME STATEMENT	Note (Section Five)	01/01/2017 - 31/03/2017	01/01/2016 - 31/03/2016
INCOME AND EXPENSE ITEMS			
I. INTEREST INCOME	IV-a	334.079	267.126
1.1 Interest on Loans		248.345	192.317
1.2 Interest Received from Reserve Requirements		3.753	2.445
1.3 Interest Received from Banks		4.589	238
1.4 Interest Received from Money Market Transactions		1.646	2.042
1.5 Interest Received from Marketable Securities Portfolio		13.715	10.084
1.5.1 Trading Financial Assets		1.314	700
1.5.2 Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3 Available-for-sale Financial Assets		10.534	9.384
1.5.4 Held-to-maturity Investments		1.867	-
1.6 Financial Lease Income		-	-
1.7 Other Interest Income	IV-k	62.031	60.000
II. INTEREST EXPENSE (-)	IV-b	227.715	179.104
2.1 Interest on Deposits (-)		119.884	92.090
2.2 Interest on Funds Borrowed (-)		32.335	16.371
2.3 Interest Expense on Money Market Transactions (-)		7.025	3.724
2.4 Interest on Securities Issued (-)		-	751
2.5 Other Interest Expenses (-)	IV-k	68.471	66.168
III. NET INTEREST INCOME (I - II)		106.364	88.022
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		8.934	4.122
4.1 Fees and Commissions Received		10.508	5.695
4.1.1 Non-cash Loans		4.441	3.320
4.1.2 Other	IV-k	6.067	2.375
4.2 Fees and Commissions Paid (-)		1.574	1.573
4.2.1 Non-cash Loans (-)		9	5
4.2.2 Other (-)	IV-k	1.565	1.568
V. DIVIDEND INCOME		-	328
VI. TRADING INCOME / (LOSS) (Net)	IV-c	6.677	4.436
6.1 Trading Gains/(Losses) on Securities		1.750	4.786
6.2 Trading Gains/(Losses) on Derivative Financial Instruments		(193)	(1.678)
6.3 Foreign Exchange Gains/(Losses)		5.120	1.328
VII. OTHER OPERATING INCOME	IV-d	2.906	2.413
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		124.881	99.321
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-e	26.813	21.865
X. OTHER OPERATING EXPENSES (-)	IV-f	74.678	66.011
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		23.390	11.445
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		3.612	(1.692)
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)		27.002	9.753
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-g	6.138	3.522
16.1 Current Tax Provision (-)	IV-h	-	5.751
16.2 Deferred Tax Provision (-)		6.138	(2.229)
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV- XVI)	IV-i	20.864	6.231
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from Non-Current Assets Held for Resale		-	-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3 Other Income from Discontinued Operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expense from Non-Current Assets Held for Resale		-	-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3 Other Expenses from Discontinued Operations		-	-
XX. INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII. NET INCOME/(LOSS) (XVII+XXII)	IV-j	20.864	6.231
Earnings / (Loss) per share (1.000 nominal in TL full)		0,232	0,069

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

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

BURGAN BANK A.Ş.
UNCONSOLIDATED STATEMENTS OF INCOME AND EXPENSE ITEMS
ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017 AND 31 MARCH
2016

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

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	31/03/2017	31/03/2016
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	4.560	7.388
II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-	-
III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	5.633	(8.739)
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS(*)	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	169	-
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(2.039)	270
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	8.323	(1.081)
XI. CURRENT PERIOD INCOME/LOSS	20.864	6.231
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	691	1.993
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	20.173	4.238
XII. TOTAL (INCOME)/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	29.187	5.150

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

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

BURGAN BANK A.Ş.

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
PRIOR PERIOD 31/03/2016	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-1	900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502	
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. New Balance (I + II)		900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502	
Changes in the Period																		
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	5.910	-	-	-	-	5.910	
VI. Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(6.991)	-	(6.991)	
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(6.991)	-	(6.991)	
6.2 Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX. Current Year Income or Loss		-	-	-	-	-	-	-	-	6.231	-	-	-	-	-	-	6.231	
XX. Profit Distribution		-	-	-	-	-	-	5.884	-	(52.169)	46.285	-	-	-	-	-	-	
20.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2 Transfers to Reserves		-	-	-	-	-	-	5.884	-	(52.169)	46.285	-	-	-	-	-	-	
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+...+XX)		900.000	-	-	-	19.107	-	73.982	(2.547)	6.231	-	3.532	15.122	-	2.225	-	1.017.652	

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

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

BURGAN BANK A.Ş.

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																	
CURRENT PERIOD 31/03/2017	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Shareholders' Equity
I. Prior Period End Balance(31/12/2016)	II-I	900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558
Changes in the Period																	
II. Increase/Decrease due to the Merger																	
III. Marketable Securities Valuation Differences												3.648					3.648
IV. Hedging Reserves (Effective Portion)															4.506		4.506
4.1 Cash Flow Hedge															4.506		4.506
4.2 Foreign Investment for Purpose of Hedge																	
V. Revaluation Differences of Tangible Assets																	
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												169					169
XII. Capital Increase																	
12.1 Cash																	
12.2 Internal Resources																	
XIII. Share Premium																	
XIV. Share Cancellation Profits																	
XV. Adjustment to Share Capital																	
XVI. Other																	
XVII. Current Year Income or Loss										20.864							20.864
XVIII. Profit Distribution						1.164		70.509		(71.673)							
18.1 Dividend Paid																	
18.2 Transfers to Reserves						1.164		70.509		(71.673)							
18.3 Other																	
Period End Balance (I+ ...+XVIII)		900.000	-	-	-	21.342	-	143.420	(2.375)	20.864	-	(4.054)	16.127	-	26.421	-	1.121.745

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

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

BURGAN BANK A.Ş.

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

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

VI. CASH FLOW STATEMENT	Note	(31/03/2017)	(31/03/2016)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(27.205)	58.241
1.1.1 Interest Received		318.024	294.581
1.1.2 Interest Paid		(228.727)	(168.905)
1.1.3 Dividend Received		-	328
1.1.4 Fees and Commissions Received		9.571	7.472
1.1.5 Other Income		-	-
1.1.6 Collections from Previously Written-off Loans and Other Receivables		18.771	21.006
1.1.7 Payments to Personnel and Service Suppliers		(35.073)	(33.230)
1.1.8 Taxes Paid		(896)	-
1.1.9 Other		(108.875)	(63.011)
1.2 Changes in Operating Assets and Liabilities		416.771	(463.948)
1.2.1 Net (Increase)/Decrease in Trading Securities		2.158	(11.261)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Due from Banks		(33.238)	(57.516)
1.2.4 Net (Increase)/Decrease in Loans		(298.979)	(353.863)
1.2.5 Net (Increase)/Decrease in Other Assets		6.309	(23.231)
1.2.6 Net Increase/(Decrease) in Bank Deposits		(6.900)	(43.245)
1.2.7 Net Increase/(Decrease) in Other Deposits		694.429	135.607
1.2.8 Net Increase/(Decrease) in Funds Borrowed		44.989	61.211
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		8.003	(171.650)
I. Net Cash Provided from Banking Operations		389.566	(405.707)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from Investing Activities		5.393	172.192
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		(648)	(14.312)
2.4 Disposals of Property and Equipment		-	360
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(50.087)	(51.601)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		56.128	237.745
2.7 Cash Paid for Purchase of Investment Securities		-	-
2.8 Cash Obtained from Sale of Investment Securities		-	-
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		-	497.285
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	497.285
3.2 Cash Used for Repayment Of Funds Borrowed and Securities Issued		-	-
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		12.135	61.612
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		407.094	325.382
VI. Cash and Cash Equivalents at Beginning of the Period		634.416	552.162
VII. Cash and Cash Equivalents at end of the Period		1.041.510	877.544

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION:

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

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

The unconsolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments until 31 December 2004, except for the financial assets 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 liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

Accounting policies and procedures, tracked during the preparation of financial statements, are determined and applied in accordance with regulations, 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”.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

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

ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued):

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

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and 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.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

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

ACCOUNTING POLICIES (Continued)

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

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

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

As of 31 March 2017, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,6362 and TL 3,8851 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 March 2017 and 31 December 2016.

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

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

ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

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

ACCOUNTING POLICIES (Continued)

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

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

VII. EXPLANATIONS ON FINANCIAL ASSETS:

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS(Continued):

b. Held-to-maturity financial assets:

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

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

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

c. Loans and receivables:

Loans and receivables are financial assets which are created by providing money, services or goods to a debtor. Loans and receivables originated by the Bank are carried initially at cost and subsequently recognised at the amortised 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 recognised 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.

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

ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

d. Available-for-sale financial assets:

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

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

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

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

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

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

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

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

ACCOUNTING POLICIES (Continued)

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

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

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

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

Assets held-for-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 March 2017, the Bank has no goodwill (31 December 2016: None).

b. Other intangible assets

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

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

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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.

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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.

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ACCOUNTING POLICIES (Continued)

XVIII. EXPLANATIONS ON TAXATION:

a. Current tax:

Many clauses of Corporate Tax Law No.5520 which are valid starting from 1 January 2006, was taken into effect after being published in the Official Gazette dated 21 June 2006 No.26205. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% for 2017 (2016: 20%). The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

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.

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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 March 2017, the Bank has no government grants (31 December 2016: None).

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

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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 March 2017	31 March 2016
Net Income / (Loss) to be Appropriated to Ordinary Shareholders	20.864	6.231
Weighted Average Number of Issued Ordinary Shares (Thousand)	90.000.000	90.000.000
Earnings Per Ordinary Shares (Disclosed in Thousand TL)	0,232	0,069

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.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON EQUITY:

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

As of 31 March 2017 Bank’s total capital has been calculated as TL 2.220.238 (31 December 2016: TL 2.153.671), Capital adequacy ratio is 17,11% (31 December 2016: 17,66%).

a. Information about total capital:

	Current Period 31 March 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 Dec 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	-	900.000	-
Share issue premiums	-	-	-	-
Reserves	164.946	-	93.273	-
Gains recognized in equity as per TAS	43.728	-	39.053	-
Profit	20.864	-	71.673	-
Current Period Profit	20.864	-	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	1.129.538	-	1.103.999	-
Deductions from Common Equity Tier 1 Capital	-	-	-	-
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	7.793	-	11.441	-
Improvement costs for operating leasing	14.857	-	15.454	-
Goodwill (net of related tax liability)	-	-	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	35.307	44.134	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	26.421	-	21.915	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-	-	-
Gains arising from securitization transactions	-	-	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-	-	-
Excess amount arising from mortgage servicing rights	-	-	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-	-	-
Other items to be defined by the BRSA	-	-	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-	-	-
Total Deductions From Common Equity Tier 1 Capital	84.378	-	76.492	-
Total Common Equity Tier 1 Capital	1.045.160	-	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.

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

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 March 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 Dec 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 deduct Components				
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	8.827		18.454	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-		-	
Total Deductions From Additional Tier I Capital	-		-	
Total Additional Tier I Capital	-		-	
Total Tier I Capital (Tier I Capital+Common Equity+Additional Tier I Capital)	1.036.333		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)	1.090.860		1.055.760	
Provisions (Article 8 of the Regulation on the Equity of Banks)	94.686		90.245	
Tier II Capital Before Deductions	1.185.546		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.	94		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	94		835	
Total Tier II Capital	1.185.452		1.145.170	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.221.785		2.154.223	
Deductions from Total Capital	1.547		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	1.547		552	
Other items to be defined by the BRSA (-)	-		-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components				
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	

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(Continued)**

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 March 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 Dec 2016	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL				
Total Capital	2.220.238		2.153.671	
Total risk weighted amounts	12.973.302		12.193.142	
Capital Adequacy Ratios				
Core Capital Adequacy Ratio	8,06		8,43	
Tier I Capital Adequacy Ratio	7,99		8,28	
Capital Adequacy Ratio	17,11		17,66	
BUFFERS				
Total buffer requirement	1.250		0,625	
Capital conservation buffer requirement	1.250		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	3,56		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		15.650	
Limits related to provisions considered in Tier II calculation				
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	94.686		90.245	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	94.686		90.245	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-		-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-		-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-		-	

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

I. EXPLANATIONS ON EQUITY (Continued):

b. Information on instruments related to equity estimation

Details on Subordinated Liabilities		
Issuer	Burgan Bank K.P.S.C	Burgan Bank K.P.S.C
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-
Governing law(s) of the instrument	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No
Eligible at stand-alone / consolidated	Stand Alone- Consolidated	Stand Alone- Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Loan	Subordinated Loan
Amount recognised in regulatory capital (Currency in thousand, as of most recent reporting date)	545.430	545.430
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 noncompliances with article number 7 and 8 of “Own fund regulation”	None	None

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

II. EXPLANATIONS ON RISK MANAGEMENT:

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 March 2017:

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

Overview of RWA

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	Prior Period	Current Period
		31 March 2017	31 December 2016	31 March 2017
1	Credit risk (excluding counterparty credit risk) (CCR)	11.743.735	11.245.475	939.499
2	Standardised approach (SA)	11.743.735	11.245.475	939.499
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	346.975	296.569	27.758
5	Standardised approach for counterparty credit risk (SA-CCR)	346.975	296.569	27.758
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	197.336	99.079	15.787
17	Standardised approach (SA)	197.336	99.079	15.787
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	685.256	552.019	54.820
20	Basic indicator approach	685.256	552.019	54.820
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	12.973.302	12.193.142	1.037.864

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
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III. EXPLANATIONS ON CURRENCY RISK:

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

A series of limits for the tenure of spot and forward foreign exchange positions 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 March 2017	31 December 2016	31 March 2017	31 December 2016
31 March 2017/ 31 December 2016				
Bid rate	TL 3,8851	TL 3,7099	TL 3,6362	TL 3,5192
1. Day bid rate	TL 3,8851	TL 3,7099	TL 3,6362	TL 3,5192
2. Day bid rate	TL 3,9083	TL 3,6939	TL 3,6386	TL 3,5318
3. Day bid rate	TL 3,9268	TL 3,6901	TL 3,6416	TL 3,5329
4. Day bid rate	TL 3,9283	TL 3,6711	TL 3,6186	TL 3,5135
5. Day bid rate	TL 3,9051	TL 3,6639	TL 3,6185	TL 3,5041

The simple arithmetic average of the Bank’s foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are shown below:

	EUR		USD	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Arithmetic average-30 days	TL 3,9217	TL 3,6848	TL 3,6699	TL 3,4950

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

III. EXPLANATIONS ON CURRENCY RISK (Continued):

Information on currency risk of the Bank:

The Bank’s real foreign currency position, both in financial and economic terms, is presented in the table below:

	EUR	USD	Other FC	Total
31 March 2017				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	26.932	1.211.866	1.564	1.240.362
Due From Banks	11.551	172.257	3.320	187.128
Financial Assets at Fair Value Through Profit or Loss (*)	23.540	27.622	7.621	58.783
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	180.130	-	180.130
Loans (*)	3.938.034	3.109.797	6.010	7.053.841
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	164.191	-	164.191
Hedging Derivative Financial Assets	287	3.734	-	4.021
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	608	18.927	-	19.535
Total Assets	4.000.952	4.888.524	18.515	8.907.991
Liabilities				
Bank Deposits	409	7.573	-	7.982
Foreign Currency Deposits	2.568.835	3.294.745	114.837	5.978.417
Funds From Interbank Money Market	-	190.827	-	190.827
Funds Borrowed From Other Financial Institutions	483.648	2.800.479	1.909	3.286.036
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	106.759	81.696	-	188.455
Hedging Derivative Financial Liabilities	1.333	543	-	1.876
Other Liabilities (*)	14.776	21.509	7.595	43.880
Total Liabilities	3.175.760	6.397.372	124.341	9.697.473
Net On-balance Sheet Position	825.192	(1.508.848)	(105.826)	(789.482)
Net Off-balance Sheet Position	(781.783)	1.544.769	98.630	861.616
Financial Derivative Assets	1.569.518	4.272.260	621.797	6.463.575
Financial Derivative Liabilities	2.351.301	2.727.491	523.167	5.601.959
Non-Cash Loans (**)	526.815	814.604	48.207	1.389.626
31 December 2016				
Total Assets (*)	3.788.462	4.968.340	16.656	8.773.458
Total Liabilities (*)	2.387.721	6.589.215	97.713	9.074.649
Net On-balance Sheet Position	1.400.741	(1.620.875)	(81.057)	(301.191)
Net Off-balance Sheet Position	(1.357.925)	1.459.157	81.299	182.531
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	2.086.936	72.216	4.558.573
Non-Cash Loans (**)	464.496	736.527	46.516	1.247.539

(*)The above table shows the Bank’s foreign currency net position based on main currencies. Foreign currency indexed assets, classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. Due to this, foreign currency indexed loans amounting to TL 853.059 (31 December 2016: TL 878.488) classified as Turkish Lira assets in the 31 March 2017 financial statements are added to the table above; there is no foreign currency indexed loans received in the current period (31 December 2016: None). Besides this, in assets “Income Accruals of Derivative Financial Instruments” amounting to TL 12.939 (31 December 2016: TL 3.769), in liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 9.025 (31 December 2016: TL 9.622), “General Provisions” amounting to TL 55.072 (31 December 2016: TL 53.785), free provision amounting to TL 20.800 (31 December 2016: TL 19.721) and “Marketable Securities Valuation Reserve” with “ Hedging Derivative Financials” amounting to TL (440) (31 December 2016: TL (5.014)) are not included in the table above.

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
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IV. EXPLANATIONS ON INTEREST RATE RISK:

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

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

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

31 March 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.179.723	-	-	-	-	213.983	1.393.706
Due From Banks	585.166	-	-	-	-	21.152	606.318
Financial Assets at Fair Value Through Profit/Loss (*)	36.591	96.810	185.522	18.567	16.206	-	353.696
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	430	60.905	129.572	199.460	98.297	6.851	495.515
Loans	4.421.864	1.779.677	2.845.413	1.741.896	74.349	112.931	10.976.130
Held-to-Maturity Investments	-	-	-	76.222	87.969	-	164.191
Other Assets	-	-	-	-	-	486.142	486.142
Total Assets	6.223.774	1.937.392	3.160.507	2.036.145	276.821	841.059	14.475.698
Liabilities							
Bank Deposits	86.225	-	-	-	-	8.572	94.797
Other Deposits	5.942.899	2.290.735	292.034	17.506	-	357.730	8.900.904
Funds From Interbank Money Market	234.284	-	116.629	-	-	-	350.913
Miscellaneous Payables	-	-	-	-	-	222.528	222.528
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	524.188	2.573.268	205.613	6.766	-	-	3.309.835
Other Liabilities (*) (**)	30.607	21.513	55.849	49.764	779	1.438.209	1.596.721
Total Liabilities	6.818.203	4.885.516	670.125	74.036	779	2.027.039	14.475.698
Balance Sheet Long Position	-	-	2.490.382	1.962.109	276.042	-	4.728.533
Balance Sheet Short Position	(594.429)	(2.948.124)	-	-	-	(1.185.980)	(4.728.533)
Off-balance Sheet Long Position	347.106	92.216	535.963	37.949	699	-	1.013.933
Off-balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(247.323)	(2.855.908)	3.026.345	2.000.058	276.741	(1.185.980)	1.013.933

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 211.250 and other liabilities includes hedging derivative financial liabilities amounting to TL 35.932 classified to a related re-pricing periods.

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

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IV. EXPLANATIONS ON INTEREST RATE RISK (Continued):

31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.095.882	-	-	-	-	222.979	1.318.861
Due From Banks	223.269	-	-	-	-	16.389	239.658
Financial Assets at Fair Value Through Profit/Loss	44.631	93.189	146.472	12.317	9.247	-	305.856
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	63.505	101.170	59.919	191.684	92.465	6.851	515.594
Loans	5.435.080	1.485.440	1.710.650	1.805.466	137.091	111.800	10.685.527
Held-to-Maturity Investments	-	-	-	74.975	86.632	-	161.607
Other Assets	-	-	-	-	-	494.513	494.513
Total Assets	6.862.367	1.679.799	1.917.041	2.084.442	325.435	852.532	13.721.616
Liabilities							
Bank Deposits	50.023	-	-	-	-	6.772	56.795
Other Deposits	5.203.829	2.167.616	424.968	280	-	456.345	8.253.038
Funds From Interbank Money Market	213.345	112.877	71.288	-	-	-	397.510
Miscellaneous Payables	-	-	-	-	-	202.930	202.930
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	227.567	2.478.988	554.963	2.679	-	-	3.264.197
Other Liabilities (*)	86.728	28.840	39.219	40.056	1.545	1.350.758	1.547.146
Total Liabilities	5.781.492	4.788.321	1.090.438	43.015	1.545	2.016.805	13.721.616
Balance Sheet Long Position	1.080.875	-	826.603	2.041.427	323.890	-	4.272.795
Balance Sheet Short Position	-	(3.108.522)	-	-	-	(1.164.273)	(4.272.795)
Off-balance Sheet Long Position	434.252	120.005	668.007	-	-	-	1.222.264
Off-balance Sheet Short Position	-	-	-	(1.106.689)	(39.091)	-	(1.145.780)
Total Position	1.515.127	(2.988.517)	1.494.610	934.738	284.799	(1.164.273)	76.484

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

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IV. 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 March 2017	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,00	-	4,00
Due From Banks	-	0,93	-	11,60
Financial Assets at Fair Value Through Profit/Loss	4,79	2,96	-	10,01
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,45
Loans	4,94	6,48	-	15,56
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	-	-	10,37
Other Deposits (*)	1,78	3,39	-	11,74
Funds From Interbank Money Market	-	2,32	-	7,86
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,53	3,92	-	6,65

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

31 December 2016	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,75	-	3,31
Due From Banks	0,01	0,55	-	-
Financial Assets at Fair Value Through Profit/Loss	4,79	7,90	-	9,09
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,42
Loans	4,91	6,29	-	15,17
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	-	-	8,16
Other Deposits (*)	1,95	3,28	-	11,00
Funds From Interbank Money Market	-	2,27	-	6,98
Miscellaneous Payables	-	-	-	11,25
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,54	3,77	-	6,67

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

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IV. EXPLANATIONS ON INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

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

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

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

2. The table below presents the economic value differences 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	(77.973)	(3,5)%
2. TRY	-400 bp	71.954	3,2%
3. EURO	+200 bp	(3.840)	(0,2)%
4. EURO	-200 bp	(631)	0,0%
5. USD	+200 bp	(37.353)	(1,7)%
6. USD	-200 bp	32.293	1,5%
Total (For Negative Shocks)		103.615	4,7%
Total (For Positive Shocks)		(119.166)	(5,4)%

V. EQUITY SHARE POSITION RISK RESULTING FROM BANKING ACCOUNTS:

None.

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VI. 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.

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(Continued)**

VI. 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.

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VI. EXPLANATIONS ON LIQUIDITY RISK (Continued):

Liquidity Coverage Ratio:

31 March 2017		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			1.276.232	890.634
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	5.086.662	3.208.165	488.378	320.591
3	Stable deposits	405.766	4.503	20.288	225
4	Less stable deposits	4.680.896	3.203.662	468.090	320.366
5	Unsecured Funding other than Retail and Small Business Customers Deposits	3.035.096	2.159.297	1.371.628	939.765
6	Operational deposits	1.338.866	1.126.584	334.716	281.646
7	Non-Operational Deposits	1.471.977	913.801	812.659	539.207
8	Other Unsecured Funding	224.253	118.912	224.253	118.912
9	Secured funding			-	-
10	Other Cash Outflows	60.573	54.070	60.573	54.070
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	60.573	54.070	60.573	54.070
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	2.335.981	1.341.093	283.039	174.475
16	TOTAL CASH OUTFLOWS			2.203.618	1.488.901
CASH INFLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.292.949	334.248	808.136	236.582
19	Other contractual cash inflows	2.745	291.600	2.745	291.600
20	TOTAL CASH INFLOWS	1.295.694	625.848	810.881	528.182
				Upper Limit Applied Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS			1.276.232	890.634
22	TOTAL NET CASH OUTFLOWS			1.392.737	960.719
23	Liquidity Coverage Ratio (%)			91,63	92,70

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

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VI. EXPLANATIONS ON LIQUIDITY RISK (Continued):

31 December 2016		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			1.064.234	788.862
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	4.882.177	2.716.517	462.514	271.652
3	Stable deposits	514.082	-	25.704	-
4	Less stable deposits	4.368.095	2.716.517	436.810	271.652
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.109.565	1.432.911	977.382	627.043
6	Operational deposits	879.826	674.920	219.956	168.730
7	Non-Operational Deposits	1.051.389	685.134	579.076	385.456
8	Other Unsecured Funding	178.350	72.857	178.350	72.857
9	Secured funding			22.034	22.034
10	Other Cash Outflows	54.806	157.262	54.806	157.262
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	54.806	157.262	54.806	157.262
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.098.544	1.115.552	237.544	131.016
16	TOTAL CASH OUTFLOWS			1.754.280	1.209.005
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 Limit 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.

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VI. 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 83% and securities issued by Undersecretariat of Treasury at a ratio of 14%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 20%, 55% and 13% 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 March 2017 are as follows:

Date Range	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
	FC	FC + TL
1 January 2017 – 31 March 2017	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 March 2017. Dates and values of lowest and highest foreign currency and total unconsolidated liquidity coverage rates calculated weekly related to the last quarter and average rates are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC+TL	FC	FC + TL
Weekly Arithmetic Average (%)	173,52%	100,98%	69,62%	85,65%
Week	05.02.2017	12.02.2017	12.03.2017	26.02.2017

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VI. EXPLANATIONS ON LIQUIDITY RISK (Continued):

Breakdown of assets and liabilities according to their outstanding maturities:

31 March 2017	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (***)	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	21.182	1.372.524	-	-	-	-	-	1.393.706
Due From Banks	21.152	585.166	-	-	-	-	-	606.318
Financial Assets at Fair Value Through Profit or Loss (*)	-	30.692	16.275	50.742	235.233	20.754	-	353.696
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	60.905	60.766	268.698	98.297	6.849	495.515
Loans	-	1.072.822	1.652.193	2.443.389	4.362.515	1.332.280	112.931	10.976.130
Held-to-Maturity Investments	-	-	-	-	76.222	87.969	-	164.191
Other Assets (**)	-	44.421	2.753	13.496	2.502	1.715	421.255	486.142
Total Assets	42.334	3.105.625	1.732.126	2.568.393	4.945.170	1.541.015	541.035	14.475.698
Liabilities								
Bank Deposits	8.572	86.225	-	-	-	-	-	94.797
Other Deposits	357.730	5.942.899	2.290.735	292.034	17.506	-	-	8.900.904
Funds Borrowed From Other Financial Institutions	-	156.878	987.522	759.584	90.705	1.315.146	-	3.309.835
Funds From Interbank Money Market	-	160.086	-	-	154.596	36.231	-	350.913
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	175.641	-	-	-	-	46.887	222.528
Other Liabilities (*) (***)	-	158.321	17.468	61.403	76.167	821	1.282.541	1.596.721
Total Liabilities	366.302	6.680.050	3.295.725	1.113.021	338.974	1.352.198	1.329.428	14.475.698
Net Liquidity Gap	(323.968)	(3.574.425)	(1.563.599)	1.455.372	4.606.196	188.817	(788.393)	-
Net Off-balance sheet Position	-	347.106	92.216	535.963	37.949	699	-	1.013.933
Financial Derivative Assets	-	3.459.044	818.755	1.282.389	1.265.207	2.201	-	6.827.596
Financial Derivative Liabilities	-	(3.111.938)	(726.539)	(746.426)	(1.227.258)	(1.502)	-	(5.813.663)
Non-cash Loans	-	1.198.942	195.019	510.583	228.139	764	-	2.133.447
31 December 2016								
Total Assets	43.267	2.753.650	1.748.204	2.224.458	4.946.127	1.443.331	562.579	13.721.616
Total Liabilities	463.117	5.829.525	2.306.505	2.260.580	419.471	1.138.336	1.304.082	13.721.616
Net Liquidity Gap	(419.850)	(3.075.875)	(558.301)	(36.122)	4.526.656	304.995	(741.503)	-
Net Off-balance sheet Position	-	451.497	193.290	48.895	(94.741)	840	-	599.781
Financial Derivative Assets	-	2.349.223	963.496	486.348	798.626	2.101	-	4.599.794
Financial Derivative Liabilities	-	(1.897.726)	(770.206)	(437.453)	(893.367)	(1.261)	-	(4.000.013)
Non-cash Loans	-	1.213.835	176.257	385.465	206.150	529	-	1.982.236

(*) The 1-5 years maturity period of Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 211.250 and the 1-5 years maturity period of Other Liabilities includes hedging derivative financial liabilities amounting to TL 35.932

(**) 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.

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VII. EXPLANATIONS ON LEVERAGE RATIO:

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

As of 31 March 2017, leverage ratio of the Bank calculated from the arithmetic average of the three months is 5,51% (31 December 2016: 6,10%). 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 March 2017 (*)	31 December 2016 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	14.557.619	13.105.162
(Assets deducted from Core capital)	59.884	56.278
Total risk amount of balance sheet assets	14.497.735	13.048.884
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	284.841	213.654
Potential credit risk amount of derivative financial assets and credit derivatives	101.633	86.615
Total risk amount of derivative financial assets and credit derivatives	386.474	300.269
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.748.688	3.111.949
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.748.688	3.111.949
Capital and total risk		
Core Capital	1.026.559	1.000.354
Total risk amount	18.632.897	16.461.102
Leverage ratio		
Leverage ratio	5,51%	6,10%

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

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VIII. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 March 2017, The Bank applies cash flow hedge accounting using interest swaps to hedge its FC deposits with an average maturity up to 3 months against interest rate fluctuations. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with income statement.

The swaps, of which carrying amount is TL 211.250 (31 December 2016: 181.017) derivative financial assets and TL 35.932 derivative financial liabilities (31 December 2016: 29.486), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 4.506 (31 March 2016: TL 12.699 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 March 2016: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds (*)	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	210.289	34.056	24.854	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	961	1.876	1.567	-

(*) Includes TMS27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TAS 39, the accounting application is ended. In case of deterioration of efficiency, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2016: None). It is determined in the measurements carried out as of the date of 31 March 2017 that above mentioned cash flow hedging transactions are effective.

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

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

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X. 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 2016 for balance sheet and 31 March 2016 income statements items.

31 March 2017	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
Net Interest Income	12.844	82.119	11.401	-	106.364
Net Fees and Comissions	960	7.974	-	-	8.934
Commercial Profit/Loss	2.650	3.881	146	-	6.677
Other Operating Income	312	2.594	-	-	2.906
Operating Income	16.766	96.568	11.547	-	124.881
Operating Costs (-)	14.511	54.676	6.480	25.824	101.491
Net Operating Income	2.255	41.892	5.067	(25.824)	23.390
Dividend Income	-	-	-	-	-
Income/(Loss) from subsidiaries based on equity method	-	-	-	3.612	3.612
Profit Before Tax	2.255	41.892	5.067	(22.212)	27.002
Tax Provisions (-)	451	8.377	1.014	(3.704)	6.138
Net Profit / Loss	1.804	33.515	4.053	(18.508)	20.864
Segment Assets	881.341	11.059.727	2.048.488	-	13.989.556
Investments in associates, subsidiaries and joint ventures	-	-	-	239.986	239.986
Unallocated Assets	-	-	-	246.156	246.156
Total Assets	881.341	11.059.727	2.048.488	486.142	14.475.698
Segments Liabilities	5.062.000	3.979.908	3.819.260	-	12.861.168
Unallocated Liabilities	-	-	-	1.614.530	1.614.530
Total Liabilities	5.062.000	3.979.908	3.819.260	1.614.530	14.475.698

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X. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

31 March 2016 (*)	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified	Total Operations of the Bank
Net Interest Income	8.428	69.911	9.683	-	88.022
Net Fees and Comissions	192	3.930	-	-	4.122
Commercial Profit/Loss	2.181	2.215	40	-	4.436
Other Operating Income	113	2.300	-	-	2.413
Operating Income	10.914	78.356	9.723	-	98.993
Operating Costs (-)	8.751	44.403	3.311	31.411	87.876
Net Operating Income	2.163	33.953	6.412	(31.411)	11.117
Dividend Income	-	-	-	328	328
Income/(Loss) from subsidiaries based on equity method	-	-	-	(1.692)	(1.692)
Profit Before Tax	2.163	33.953	6.412	(32.775)	9.753
Tax Provisions (-)	433	6.790	1.283	(4.984)	3.522
Net Profit / Loss	1.730	27.163	5.129	(27.791)	6.231
31 December 2016 (*)					
Segment Assets	691.560	10.724.366	1.811.177	-	13.227.103
Investments in associates, subsidiaries and joint ventures	-	-	-	237.171	237.171
Unallocated Assets	-	-	-	257.342	257.342
Total Assets	691.560	10.724.366	1.811.177	494.513	13.721.616
Segments Liabilities	4.950.035	3.421.576	3.858.095	-	12.229.706
Unallocated Liabilities	-	-	-	1.491.910	1.491.910
Total Liabilities	4.950.035	3.421.576	3.858.095	1.491.910	13.721.616

(*) Prior period balances have been restated due to the application of the equity method and table format.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

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

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign currency	9.817	11.338	11.493	15.353
CBRT	143.527	1.229.024	149.757	1.142.258
Other	-	-	-	-
Total	153.344	1.240.362	161.250	1.157.611

2. Information on the account of the CBRT:

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount	143.527	248.788	149.757	224.976
Time Unrestricted Amount	-	23.311	-	-
Time Restricted Amount	-	956.925	-	917.282
Total	143.527	1.229.024	149.757	1.142.258

3. Information on reserve requirements:

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold. CBRT started paying interest on reserve balances held in FC starting from May 2015 and held in TL starting from November 2014.

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 March 2017 (31 December 2016: 4% and 10,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 March 2017 (31 December 2016: 4% and 24% for all foreign currency liabilities).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

1. As of 31 March 2017, financial assets at fair value through profit or loss subject to repo transactions are none (31 December 2016:None).
2. Positive differences related to derivative financial instruments held for trading:

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	27.934	3.525	14.659	1.638
Swap Transactions	34.561	31.968	45.831	28.788
Futures Transactions	-	-	-	-
Options	874	25.854	588	19.685
Other	7	-	-	-
Total	63.376	61.347	61.078	50.111

c. Information on banks:

1. Information on banks:

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	419.190	167.998	22	223.273
Foreign	-	19.130	-	16.363
Headquarters and Branches Abroad	-	-	-	-
Total	419.190	187.128	22	239.636

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

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

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 March 2017, there are TL 63.793 available-for-sale financial assets given as collateral/blocked (31 December 2016: TL 29.408) and those subject to repurchase agreements amounts to TL 256.139 (31 December 2016: TL 295.810).

2. Information on available-for-sale financial assets:

	31 March 2017	31 December 2016
Debt Securities	491.508	515.136
Quoted on Stock Exchange	491.508	515.136
Not Quoted	-	-
Share Certificates	6.849	6.849
Quoted on Stock Exchange	-	-
Not Quoted	6.849	6.849
Impairment Provision (-)	2.842	6.391
Total	495.515	515.594

e. Explanations on loans:

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

	31 March 2017		31 December 2016	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	1.730	-	-
Corporate Shareholders	-	1.730	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	6.179	-	6.288	-
Total	6.179	1.730	6.288	-

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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	10.141.317	-	-	721.882	219.413	1.261
Loans Given to Enterprises	-	-	-	-	-	-
Export Loans	380.101	-	-	64.578	2.155	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	357.112	-	-	-	-	-
Consumer Loans	312.733	-	-	22.246	-	-
Credit Cards	4.521	-	-	662	-	-
Other (*)	9.086.850	-	-	634.396	217.258	1.261
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	10.141.317	-	-	721.882	219.413	1.261

(*) The Bank also has TL 671 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	-	219.413
3, 4 or 5 times	-	-
Over 5 times	-	-
Total	-	219.413

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	218.592
6 Months – 12 Months	-	821
1-2 Years	-	-
2-5 Years	-	-
5 Years and Over	-	-
Total	-	219.413

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

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

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

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	12.552	311.037	323.589
Real estate loans	-	89.525	89.525
Automotive loans	194	5.670	5.864
Consumer loans	12.358	215.842	228.200
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	1.033	1.033
Real estate loans	-	1.033	1.033
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.101	-	3.101
With installments	-	-	-
Without installments	3.101	-	3.101
Individual Credit Cards- FC	116	-	116
With installments	-	-	-
Without installments	116	-	116
Personnel Loans-TL	475	4.695	5.170
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	475	4.695	5.170
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	995	-	995
With installments	-	-	-
Without installments	995	-	995
Personnel Credit Cards-FC	14	-	14
With installments	-	-	-
Without installments	14	-	14
Credit Deposit Account-TL (Real Person)	5.187	-	5.187
Credit Deposit Account-FC (Real Person)	-	-	-
Total	22.440	316.765	339.205

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

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

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

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

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	130.158	1.169.608	1.299.766
Real estate Loans	-	-	-
Automotive Loans	1.304	9.600	10.904
Consumer Loans	128.854	1.160.008	1.288.862
Other	-	-	-
Commercial Installments Loans-FC Indexed	13.796	450.196	463.992
Real estate Loans	-	-	-
Automotive Loans	386	5.710	6.096
Consumer Loans	13.410	444.486	457.896
Other	-	-	-
Commercial Installments Loans-FC	2.535	3.189.665	3.192.200
Real estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	2.535	3.189.665	3.192.200
Other	-	-	-
Corporate Credit Cards-TL	946	-	946
With installments	-	-	-
Without installments	946	-	946
Corporate Credit Cards-FC	11	-	11
With installments	-	-	-
Without installments	11	-	11
Credit Deposit Account-TL (Legal Person)	14.584	-	14.584
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	162.030	4.809.469	4.971.499

5. Loans according to types of borrowers:

	31 March 2017	31 December 2016
Public	-	-
Private	10.863.199	10.573.728
Total	10.863.199	10.573.728

6. Distribution of domestic and foreign loans:

	31 March 2017	31 December 2016
Domestic Loans	10.863.199	10.573.728
Foreign Loans	-	-
Total	10.863.199	10.573.728

7. Loans given to associates and subsidiaries;

	31 March 2017	31 December 2016
Direct Loans given to associates and subsidiaries	19.618	-
Indirect Loans given to associates and subsidiaries	-	-
Total	19.618	-

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

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

8. Specific provisions provided against loans:

	31 March 2017	31 December 2016
Loans and Other Receivables with Limited Collectability	1.991	12.293
Loans and Other Receivables with Doubtful Collectability	31.689	17.709
Uncollectible Loans and Other Receivables	95.590	89.416
Total	129.270	119.418

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

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 March 2017			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	55	8.874
31 December 2016			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	233	707	7.204

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period End Balance	44.301	43.815	143.101
Additions (+)	25.278	917	3.560
Transfers from Other Categories of Non performing Loans (+)	-	43.351	11.381
Transfers to Other Categories of Non-performing Loans (-)	43.351	11.381	-
Collections (-)	2.553	3.600	12.618
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period	23.675	73.102	145.424
Specific Provision (-)	1.991	31.689	95.590
Net Balance on Balance Sheet	21.684	41.413	49.834

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

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

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 March 2017			
Period-End Balance	1.329	36.603	11.153
Specific Provision (-)	66	18.305	3.360
Net Balance on balance sheet	1.263	18.298	7.793
31 December 2016			
Period-End Balance	22.201	14.453	11.390
Specific Provision (-)	9.377	7.229	3.932
Net Balance on balance sheet	12.824	7.224	7.458

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	21.684	41.413	49.834
Loans Given to Real Persons and Legal Persons (Gross)	23.675	73.102	145.424
Specific Provision Amount (-)	1.991	31.689	95.590
Loans Given to Real Persons and Legal Persons (Net)	21.684	41.413	49.834
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	32.008	26.106	53.685
Loans Given to Real Persons and Legal Persons (Gross)	44.301	43.815	143.101
Specific Provision Amount (-)	12.293	17.709	89.416
Loans Given to Real Persons and Legal Persons (Net)	32.008	26.106	53.685
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

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

f. Information on held-to-maturity investments:

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

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	164.191	-	161.607
Other	-	-	-	-
Total	-	164.191	-	161.607

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

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

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

	31 March 2017	31 December 2016
Government Bond	164.191	161.607
Treasury Bond	-	-
Other Public Debt Securities	-	-
Total	164.191	161.607

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

	31 March 2017	31 December 2016
Debt securities	164.191	161.607
Publicly-traded	164.191	161.607
Not publicly-traded	-	-
Provision for impairment	-	-
Total	164.191	161.607

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

	31 March 2017	31 December 2016
Opening balance	161.607	-
Foreign exchange differences in monetary assets	2.584	-
Purchases during the year	-	161.607
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	164.191	161.607

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

g. Information on investments in associates (Net):

None (31 December 2016: None).

h. Information on subsidiaries (Net):

1. Information on unconsolidated subsidiaries:

None (31 December 2016: None).

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

None (31 December 2016: None).

3. Information on subsidiaries that are consolidated in consolidated accounts:

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage(%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
2	Burgan Yatırım Menkul Değerler A.Ş. and its 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 permission 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	1.611.224	170.495	11.129	30.653	-	7.972	1.262	-
2 (*)	189.604	69.574	5.406	3.121	280	(4.360)	(2.954)	-

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Movement schedules of subsidiaries:

	31 March 2017	31 December 2016
Balance at the beginning of the Period	237.171	228.722
Movements during the Period	2.815	8.449
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase (*)	2.815	8.449
Impairment Provision	-	-
Balance at the end of the Period	239.986	237.171
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	99,99%	99,99%

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

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

Subsidiaries	31 March 2017	31 December 2016
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	179.983	172.512
Finance Companies	-	-
Other Financial Subsidiaries	60.003	64.659
Total	239.986	237.171

7. Subsidiaries quoted on stock exchange:

None (31 December 2016: None).

i. Information on joint ventures:

None (31 December 2016: None).

j. Information on lease receivables (net):

None (31 December 2016: None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

k. Information on hedging derivative financial assets:

	31 March 2017		31 December 2016	
	TP	FC	TP	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	205.928	5.322	176.246	4.771
Foreign Net Investment Hedge	-	-	-	-
Total	205.928	5.322	176.246	4.771

l. Information on investment property:

None (31 December 2016: None).

m. Information on deferred tax asset:

As of 31 March 2017, the Bank has netted-off the calculated deferred tax asset of TL 26.196 (31 December 2016: TL 16.459) and deferred tax liability of TL 48.411 (31 December 2016: TL 30.255) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 22.215 (31 December 2016: TL 13.796 net deferred tax asset) in the financial statements.

As of 31 March 2017 and 31 December 2016, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Financial Loss Carried (*)	33.476	-	6.695	-
Legal Provision	7.193	6.835	1.439	1.367
Provisions for Possible Risks	42.139	26.784	8.428	5.357
Reserve for Employee Rights	18.437	14.484	3.687	2.897
Unearned Revenue	21.461	21.231	4.292	4.246
Other	8.272	12.959	1.655	2.592
Deferred Tax Assets	130.978	82.293	26.196	16.459
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	26.590	27.492	5.318	5.498
Valuation Differences of Derivative Instruments	202.571	115.360	40.514	23.072
Other	12.895	8.423	2.579	1.685
Deferred Tax Liabilities	242.056	151.275	48.411	30.255
Deferred Tax Assets/(Liabilities) (Net)	(111.078)	(68.982)	(22.215)	(13.796)

(*) The Bank will be able to use the carried forward financial loss amounting to TL 33.476 for corporate tax calculations until 2022.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Movement of deferred tax asset/ liabilities is presented below:

	31 March 2017	31 December 2016
Balance as of 1 January	(13.796)	655
Current year deferred tax income/(expense) (net)	(6.138)	(13.211)
Deferred tax charged to equity (net)	(2.281)	(1.240)
Balance at the End of the Period	(22.215)	(13.796)

(*)The deferred tax effect, which is accounted under shareholders' equity arising from the impact of TAS 27, is TL 242.

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

The Bank has assets held for resale amounting to TL 50.738 (31 December 2016: TL 45.165) and has no discontinued operations.

Prior Period	31 March 2017	31 December 2016
Cost	45.996	7.196
Accumulated Depreciation (-)	831	511
Net Book Value	45.165	6.685
Current Period		
Net book value at beginning of the period	45.165	6.685
Additions	9.011	41.077
Disposals (-), net	3.169	2.131
Impairment (-)	78	49
Depreciation (-)	191	417
Cost	51.662	45.996
Accumulated Depreciation (-)	924	831
Closing Net Book Value	50.738	45.165

o. Information on other assets:

As of 31 March 2017, other assets amount to TL 92.164 (31 December 2016: TL 105.363) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 March 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	27.668	-	135.756	1.305.350	32.368	19.191	45.179	-	1.565.512
Foreign Currency Deposits	218.503	-	461.087	4.620.635	491.392	165.469	21.331	-	5.978.417
Residents in Turkey	168.122	-	459.575	4.554.388	490.613	163.345	20.318	-	5.856.361
Residents Abroad	50.381	-	1.512	66.247	779	2.124	1.013	-	122.056
Public Sector Deposits	38.638	-	-	-	-	-	-	-	38.638
Commercial Deposits	69.886	-	159.615	601.101	50.885	36.180	104.456	-	1.022.123
Other Institutions Deposits	3.035	-	2.383	285.260	5.390	146	-	-	296.214
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	8.572	-	86.225	-	-	-	-	-	94.797
The CBRT	-	-	43.111	-	-	-	-	-	43.111
Domestic Banks	83	-	43.114	-	-	-	-	-	43.197
Foreign Banks	8.489	-	-	-	-	-	-	-	8.489
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	366.302	-	845.066	6.812.346	580.035	220.986	170.966	-	8.995.701

ii. 31 December 2016:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.555	-	147.467	1.700.052	141.681	24.122	54.300	-	2.099.177
Foreign Currency Deposits	349.360	-	224.981	4.002.789	637.320	158.834	77.070	-	5.450.354
Residents in Turkey	297.584	-	224.531	3.940.283	628.322	156.889	23.584	-	5.271.193
Residents Abroad	51.776	-	450	62.506	8.998	1.945	53.486	-	179.161
Public Sector Deposits	5.453	-	-	1.030	-	-	-	-	6.483
Commercial Deposits	68.490	-	95.244	323.206	54.162	2.369	1.426	-	544.897
Other Institutions Deposits	1.487	-	6.579	120.098	12.294	142	11.527	-	152.127
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.772	-	50.023	-	-	-	-	-	56.795
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	78	-	50.023	-	-	-	-	-	50.101
Foreign Banks	6.694	-	-	-	-	-	-	-	6.694
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	463.117	-	524.294	6.147.175	845.457	185.467	144.323	-	8.309.833

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(Continued)**

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

2. Information on saving deposits insurance:

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

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Saving Deposits				
Saving Deposits	535.145	568.395	1.030.367	1.530.782
Foreign Currency Savings Deposit	253.765	198.348	3.108.476	2.622.810
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Total	788.910	766.743	4.138.843	4.153.592

ii. There are no deposits covered under foreign authorities' insurance since the Bank is incorporated in Turkey.

3. Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:

	31 March 2017	31 December 2016
Deposits and Other Accounts in Foreign Branches		
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	1.467	25.687
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCK” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
Total	1.467	25.687

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(Continued)**

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

b. Information on trading derivative financial liabilities:

Schedule of negative differences concerning derivative financial liabilities held for trading:

Derivative Financial Liabilities Held for Trading	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	27.813	4.788	26.467	5.586
Swap Transactions	53.999	12.363	103.875	11.999
Futures Transactions	-	-	-	-
Options	297	23.313	482	18.493
Other	7	-	-	-
Total	82.116	40.464	130.824	36.078

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	23.799	61.109	24.711	48.646
From Foreign Banks, Institutions and Funds	-	2.132.234	-	2.133.362
Total	23.799	2.193.343	24.711	2.182.008

2. Information on maturity structure of borrowings:

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	23.799	245.423	24.711	216.447
Medium and Long-term	-	1.947.920	-	1.965.561
Total	23.799	2.193.343	24.711	2.182.008

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

The Bank’s main funding sources are deposits and borrowings. As of 31 March 2017, deposits and borrowings from Bank’s risk group comprise 1% (31 December 2016: 1%) of total deposits. Besides this, Borrowings from Bank’s risk group comprise 61% (31 December 2016: 59%) of subordinated and other borrowings.

d. Information on marketable securities issued:

None (31 December 2016: None).

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

e. Information on other foreign liabilities:

Other liabilities amounting to TL 106.173 (31 December 2016: TL 67.273) do not exceed 10% of the total of the balance sheet excluding off-balance sheet commitments.

f. Information on lease payables (net):

None (31 December 2016: None).

g. Information on hedging derivative financial liabilities:

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	34.056	1.876	27.528	1.958
Foreign Net Investment Hedge	-	-	-	-
Total	34.056	1.876	27.528	1.958

h. Information on provisions:

1. Information on general provisions:

	31 March 2017	31 December 2016
General Provisions	94.686	90.245
Provisions for First Group Loans and Receivables	84.093	80.121
Additional Provision for Loans and Receivables with Extended Maturities (*)	-	-
Provisions for Second Group Loans and Receivables	8.298	7.692
Additional Provision for Loans and Receivables with Extended Maturities (*)	-	-
Provisions for Non-Cash Loans	2.058	1.913
Other	237	519

(*)As of December 14, 2016, the Bank has set aside the minimum rates stipulated in the Regulation on the Procedures and Principles for the Determination of the Characteristics of Loans and Other Receivables and the Provisions to be Made on the Banks for the Standard Cash Loans at a rate of 0,5%.

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)

2. Information on reserve for employment termination benefits:

Under the Turkish 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 4.426,16 since 1 January 2017 (31 December 2016: TL 4.297,21). Employee termination benefits are not funded as there is no funding requirement.

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. Independent actuaries are used in determining the liability of the Bank. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	31 March 2017	31 December 2016
Discount rate (%)	3,15	3,15
Salary increase rate (%)	9,00	9,00
Average remaining work period (Year)	11,43	11,43

Movement of reserve for employment termination benefits during the period:

	31 March 2017	31 December 2016
As of January 1	9.456	8.823
Service cost	1.654	1.644
Interest cost	-	935
Settlement cost	-	1.034
Actuarial loss/gain	-	(286)
Benefits paid (-)	964	2.694
Total	10.146	9.456

In addition, as of 31 March 2017 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 8.291 (31 December 2016:TL 16.667).

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(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

3. Other provisions:

i. Information on provisions for possible risks:

	31 March 2017	31 December 2016
Provisions for potential risks (*)	42.139	26.784
Total	42.139	26.784

(*) Provisions for the Bank’s potential risks in credit portfolio.

ii. Information on other provisions:

The Bank set aside reserves under other provisions amounting to TL 7.193 (31 December 2016: TL 6.835) for lawsuits, TL 2.031 (31 December 2016: TL 2.038) for non-cash loans, TL 1.584 (31 December 2016: TL 1.301) for customer cheques commitments, TL 36 (31 December 2016: TL 143) for credit card loyalty points and TL 228 (31 December 2016: TL 220) for other receivables.

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

As of 31 March 2017, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 3.101 (31 December 2016: TL 14) and is netted from the loan amount in the financial statements.

i. Information on taxes payable:

1. Information on tax provision:

As of 31 March 2017, there is no corporate tax provision (31 December 2016: TL None).

2. Information on taxes payable:

	31 March 2017	31 December 2016
Corporate Tax Payable	-	-
Taxation of Marketable Securities	8.997	9.327
Property Tax	223	137
Banking Insurance Transaction Tax	6.774	6.101
Value Added Tax Payable	240	353
Other	2.283	2.731
Total	18.517	18.649

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)

3. Information on premium payables:

	31 March 2017	31 December 2016
Social Security Premiums-Employee	1.083	1.895
Social Security Premiums-Employer	1.917	2.502
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	75	132
Unemployment Insurance-Employer	150	264
Other	-	-
Total	3.225	4.793

4. As of 31 March 2017, the Bank has netted-off the calculated deferred tax asset of TL 26.196 (31 December 2016: TL 16.459) and deferred tax liability of TL 48.411 (31 December 2016: TL 30.255) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 22.215 (31 December 2016: TL 13.796 net deferred tax asset) in the financial statements.

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

None (31 December 2016: None).

k. Information on subordinated loans:

Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate:

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	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 March 2017		31 December 2016	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.092.693	-	1.057.478
Other Foreign	-	-	-	-
Total	-	1.092.693	-	1.057.478

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)

I. Information on shareholders’ equity:

1. Presentation of paid-in capital:

	31 March 2017	31 December 2016
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.

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**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 March 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(1.214)	(2.840)	(872)	(6.999)
Foreign Currency Translation Difference	-	-	-	-
Total	(1.214)	(2.840)	(872)	(6.999)

9. Information on tangible assets revaluation reserve:

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	16.127	-	16.127	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	-	-	-	-
Total	16.127	-	16.127	-

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

According to the General Assembly meeting decision on 31 March 2017, the profit of 2016 which to TL 71.673 (TAS 27) is not distributed and it is classified as legal reserve.

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(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 March 2017	31 December 2016
Foreign currency buy/sell commitments	933.729	576.525
Commitments for cheques	325.269	302.867
Loan limit commitments	147.167	145.005
Forward securities commitments	58.295	618
Commitments for credit card limits	14.530	17.475
Capital commitments for subsidiaries	14.997	14.997
Promotions for the credit cards and their care services	9	14
Blocked cheques given to customers	-	-
Total	1.493.996	1.057.501

2. Type and amount of probable losses and obligations arising from off-balance sheet items:

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in “Off-balance sheet commitments”.

i. Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial commitments and other letters of credit:

	31 March 2017	31 December 2016
Letter of guarantees	1.713.049	1.584.427
Letter of credits	318.385	256.635
Bank acceptance loans	91.553	130.717
Other guarantees	10.432	10.429
Factoring guarantees	28	28
Total	2.133.447	1.982.236

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

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Irrevocable letters of guarantee	609.428	391.347	612.453	389.228
Revocable letters of guarantee	88.891	29.066	73.964	33.691
Guarantees given to customs	16.924	60.763	18.689	58.023
Letters of guarantee given in advance	9.605	182.596	9.089	161.826
Other letters of guarantee	14.665	309.764	16.724	210.740
Total	739.513	973.536	730.919	853.508

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(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS
(Continued):**

3. i. Total amount of non-cash loans:

	31 March 2017	31 December 2016
Non-cash loans given against cash loans	326.638	229.648
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	326.638	229.648
Other non-cash loans	1.806.809	1.752.588
Total	2.133.447	1.982.236

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

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	711.864	955.834	23.237	17.650
Bank Acceptances	4.280	87.273	-	-
Letters of Credit	-	317.766	-	619
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	10.432	-	-
Total	716.172	1.371.305	23.237	18.269

(*)In addition to non-cash loans stated above, the Bank has non-cash loans classified as non-performing loans, amounting to TL 4.464. As of 31 March 2017, the Bank has recorded a TL 2.031 provision regarding these risks.

b. Information on contingent assets and contingent liabilities:

As of 31 March 2017, the total amount of legal cases against the Bank is TL 46.029 (31 December 2016: TL 44.938) and the Bank sets aside a provision of TL 7.193 (31 December 2016: TL 6.835) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpinar Tax Administration, negative declaratory action has been claimed at “Denizli Tax Authority” and “Denizli Civil Court of General Jurisdiction” for cancellation of the payment order of TL 25.459, which was notified to the Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Bank. The cases are at the appeal phase. As a result, the Bank did not book any provision.

c. 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 (7 April 2017)

Outlook	Stable
Long Term FC	Ba3
Short Term FC	Not Prime
Long Term TL	Ba3
Short Term TL	Not Prime

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(Continued)**

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans:

	31 March 2017		31 March 2016	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-term Loans	87.184	3.282	81.807	6.317
Medium/Long-term Loans	70.510	85.769	45.748	57.995
Interest on Loans Under Follow-up	1.600	-	450	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	159.294	89.051	128.005	64.312

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

2. Information on interest income on banks:

	31 March 2017		31 March 2016	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	4.462	124	157	72
From Foreign Banks	-	3	-	9
Headquarters and Branches Abroad	-	-	-	-
Total	4.462	127	157	81

3. Information on interest income on marketable securities:

	31 March 2017		31 March 2016	
	TL	FC	TL	FC
From Trading Financial Assets	1.276	38	586	114
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	8.327	2.207	5.332	4.052
From Held-to-Maturity Investments	-	1.867	-	-
Total	9.603	4.112	5.918	4.166

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

	31 March 2017	31 March 2016
Interest Received From Investments in Associates and Subsidiaries	130	6

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 March 2017		31 March 2016	
	TL	FC	TL	FC
Banks	409	28.742	561	15.810
The CBRT	-	-	-	-
Domestic Banks	409	274	556	253
Foreign Banks	-	28.468	5	15.557
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	3.184	-	-
Total (*)	409	31.926	561	15.810

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

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

	31 March 2017	31 March 2016
Interest Paid to Investment in Associates and Subsidiaries	751	844

3. Interest expense on issued marketable securities:

	31 March 2017	31 March 2016
Interest expense on issued marketable securities	-	751

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

Current Period	Demand Deposit	Time Deposit					Accum. Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Currency								
Bank Deposits	-	76	-	-	-	-	-	76
Savings Deposits	-	3.701	45.292	1.931	481	1.405	-	52.810
Public Deposits	-	-	13	-	-	-	-	13
Commercial Deposits	-	4.728	11.854	1.147	366	1.030	-	19.125
Other Deposits	-	113	5.090	175	4	210	-	5.592
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Total	-	8.618	62.249	3.253	851	2.645	-	77.616
Foreign Currency								
Foreign Currency Account	-	1.424	35.497	3.780	1.052	464	-	42.217
Bank Deposits	-	51	-	-	-	-	-	51
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	1.475	35.497	3.780	1.052	464	-	42.268
Sum Total	-	10.093	97.746	7.033	1.903	3.109	-	119.884

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

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(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 trading loss/income (Net):

	31 March 2017	31 March 2016
Income	5.643.733	3.304.125
Capital Market Transactions	3.634	5.665
Derivative Financial Transactions	14.847	12.587
Foreign Exchange Gains	5.625.252	3.285.873
Loss (-)	5.637.056	3.299.689
Capital Market Transactions	1.884	879
Derivative Financial Transactions	15.040	14.265
Foreign Exchange Loss	5.620.132	3.284.545
Net Income/Loss	6.677	4.436

d. Information on other operating income:

As of 31 March 2017, the Bank’s other operating income is TL 2.906 (31 March 2016: TL 2.413). TL 1.248 (31 March 2016: TL 131) amount of the other operating income is composed of the profit from sales of the fixed assets that were classified as Asset Held for Resale.

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

	31 March 2017	31 March 2016
Specific Provisions for Loans and Other Receivables	10.128	13.572
III. Group Loans and Receivables	2.051	3.458
IV. Group Loans and Receivables	2.489	4.939
V. Group Loans and Receivables	5.588	5.175
General Provision Expenses	2.260	7.040
Provision Expense for Possible Risks	14.425	1.253
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	26.813	21.865

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

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

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

f. Information related to other operating expenses:

	31 March 2017	31 March 2016
Personnel Expenses	35.073	33.230
Reserve For Employee Termination Benefits (*)	2.224	2.019
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	2.268	2.188
Impairment Expenses of Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	2.280	1.902
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	78	-
Depreciation Expenses of Assets Held for Resale	191	55
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	26.142	20.015
Operational Lease Expenses	6.753	6.783
Maintenance Expenses	206	288
Advertising Expenses	205	101
Other Expense	18.978	12.843
Loss on Sales of Assets	2	-
Other	6.420	6.602
Total	74.678	66.011

(*) As of 31 March 2017, “the employee vacation fee provision expense” is TL 570 (31 March 2016: TL 485).

g. Information on net income/(loss) before taxes from discontinued and continuing operations:

The Bank has no discontinued operations. The Bank’s net in profit before taxes from continuing operations is TL 27.002 (31 March 2016: TL 9.753 profit before tax).

h. Information on provision for taxes from discontinued or continuing operations:

The Bank has no discontinued operations and the explanations below represent the provision for taxes of continuing operations.

1. Information on calculated current tax income or expense and deferred tax income or expense:

As of 31 March 2017, the Bank has no current tax expense amounting and deferred tax expense amounting to TL 6.138.

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

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

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 5.921 deferred tax income from temporary differences and tax income from carried financial loss amount is TL 6.695 and TL 18.754 deferred tax expense from closed temporary differences amounting to net TL 6.138 deferred tax expense.

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

As of 31 March 2017, the Bank has TL 12.833 deferred tax expense arising from temporary differences and TL 6.695 deferred tax income from carried financial loss belongs to the prior period.

i. Information on continuing and discontinued operations' current period net profit/(loss):

The Bank has no discontinued operations and the below article (j) represents the current period net profit and loss from continuing operations.

j. Information on net income/(loss) for the period:

1. If the disclosure of usual banking transactions, income and expenditure items' composition is necessary to understand the annual performance of Bank, the composition and amount of these items:

None.

2. If an estimation change significantly affects the profit or has the probability of affecting the profit of following period, the effect for related periods:

None.

k. Information on other income and expenses:

1. Interest income amounts to TL 334.079 (31 March 2016: TL 267.126) and TL 62.031 (31 March 2016: TL 60.000) of this amount is classified as "Other Interest Income" in the income statement of Bank in the current period.

	31 March 2017	31 March 2016
Other Interest Income		
Interest Income Related to Derivative Transactions	61.125	59.596
Other	906	404
Total	62.031	60.000

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

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

2. Interest expense amounts to TL 227.715 (31 March 2016: TL 179.104), TL 68.471 (31 March 2016: TL 66.168) of this amount is classified as "Other Interest Expense" in the income statement of Bank in the current period.

	31 March 2017	31 March 2016
Other Interest Expense		
Interest Expense Related to Derivative Transactions	67.613	64.240
Other	858	1.928
Total	68.471	66.168

3. As of 31 March 2017, the Bank's fee and commission income amounts to TL 10.508 (31 March 2016: TL 5.695) and TL 6.067 (31 March 2016: TL 2.375) the related amount is classified under "Other fee and commission income" account.

	31 March 2017	31 March 2016
Other Fee and Commissions Received		
Insurance Comissions	784	414
Account Operating Fees	468	342
Transfer Commissions	212	303
Commissions from Correspondent Banks	133	103
Credit Card and POS Transaction Commissions	109	327
Commissions on Investment Fund Services	23	39
Ortak Nokta Trade Commissions	22	23
Letter of Credit Commissions	2	2
Other	4.314	822
Total	6.067	2.375

4. As of 31 March 2017, Bank's fee and commission expense amounts to TL 1.574 (31 March 2016: TL 1.573) and TL 1.565 (31 March 2016: TL 1.568) of the related amount is classified under "Other fee and commission expense" account.

	31 March 2017	31 March 2016
Other Fee and Commissions Given		
Credit Card Transaction Commission	706	928
Commissions Granted to Correspondent Banks	332	193
EFT Commissions	197	168
Ortak Nokta Trade Commissions	91	101
Transfer Commissions	29	30
Other	210	148
Total	1.565	1.568

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP

a. The volume of transactions relating to the Bank’s risk group, outstanding loan and deposit transactions and profit and loss of the period:

1. Prior period financial information is presented as at 31 December 2016 and 31 March 2016 for balance sheet and income statements items.

31 March 2017:

Banks’ Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	19.618	28.450	-	1.730	132	76.319
Interest and Commission Income Received	130	15	-	-	7	-

(*) Defined in Article 49 of subsection 2 of the Banking Act No.5411.

31 December 2016:

Banks’ Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	23.519	-	219	89	8.753
Balance at the End of the Period	-	27.908	-	-	113	68.425
Interest and Commission Income Received	6	-	-	-	1	-

(*) 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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the Period	61.164	84.098	5.656	6.184	26.005	17.841
End of the Period	43.736	61.164	8.043	5.656	1.807	26.005
Interest Expense on Deposits	751	844	-	-	297	302

(*)Defined in Article 49 of subsection 2 of the Banking Act No.5411.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. 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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Repurchase Transactions						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

(*)Defined in Article 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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for trading purposes						
Beginning of the Period (**)	307.337	92.529	-	-	-	-
Balance at the end of the period (**)	617.230	307.337	-	-	-	-
Total Profit/Loss	2.916	2.879	-	-	-	-
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	2.004.049	60,55
Non-cash loans	106.499	4,99
Deposit	53.586	0,60
Loans	19.750	0,18
Banks and Other Institutions	80	0,01

As of 31 March 2017, there is no interest income from deposits given to shareholders of the Bank and the Bank has realized interest expense amounting to TL 21.590 (31 March 2016: TL 10.235) on loans borrowed from the direct shareholders of the Bank.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP (Continued)

3. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts:

According to the Joint Expense Sharing Agreement with the Bank, Bank has other operating income of TL 87 (31 March 2016: TL 83) from Burgan Finansal Kiralama A.Ş..

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 0,96% (31 March 2016: 0,75%) of the Bank’s total cash and non-cash loans.

As of 31 March 2017 there are no purchase-sales transactions on any assets including real - estate with the risk group consisting the Bank.

As of 31 March 2017 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Bank is included.

c. Information on benefits provided to top management:

Top management of the Bank is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 7.585 (31 March 2016: TL 6.718) which include total gross salary, travel, meal, health, life insurance and other expenses.

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

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SECTION SIX

EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT

The unconsolidated financial statements as of 31 March 2017 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor’s independent limited review report dated 12 May 2017 has been presented prior to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

I. REVIEWS OF CHAIRMAN OF BOARD OF DIRECTORS AND GENERAL MANAGER WITH RESPECT TO OPERATING CYCLE AND THEIR FUTURE EXPECTATIONS

Global economic activity has gained momentum in the fourth quarter of 2016. Leading indicators suggest a significant recovery in developed economies, particularly United States, and a moderate recovery in developing and emerging countries. Cyclical recovery in inventory accumulation and solid consumption growth and assumption of a looser fiscal policy stance fuelled optimism in financial markets and consumer confidence. IMF projects global economic growth as 3.5% in 2017, up from 3.1% in 2016. In line with the increase in commodity prices, headline inflation accelerated recently, while core inflation rises gradually. These developments also fed expectations that Fed may normalise the monetary policy at a faster pace than expected. Fed hiked the Federal Funds Rate by 25bps to 0.75-1.00% in March, and provided its guidance of an additional 50bps hike in the remainder of the year. On the other hand, ECB is expected to continue with accommodative monetary policy in 2017.

In Turkey, domestic politics and geopolitical developments continue to be the focal point. In January, the Parliament has passed a constitutional amendment which includes a switch to Presidential system. The constitutional amendment has been approved with 51.4% support in the referendum on April 16.

Following 1.3% yoy contraction in the 3rd quarter, Turkish economy posted a higher than expected 3.5% yoy growth in the fourth quarter, driven mainly by private consumption. Thus, Turkish economy grew by 2.9% yoy in 2016. The contribution of private consumption and total investments has been limited in 2016 due to volatility in global financial markets as well as unfavourable developments in domestic politics, including the coup attempt on July 15. On the other hand, public expenditures accelerated rapidly in 2016, adding 1pp to the total GDP growth. Tourism revenues dropped by US\$8bn in 2016 on the back of political tension with Russia and security concerns in Turkey. Hence, the contribution of net exports has been negative in 2016. Industrial production has expanded by 1.8% yoy in the first two months of 2017. Yet, leading indicators such as PMI, exports performance, capacity utilisation, and confidence indexes suggest that economic growth will continue to be strong in the first quarter of 2017. The government has recently introduced a set of measures to stimulate economic activity including an extended loan facility through Credit Guarantee Fund, incentives to expand employment, and tax cuts on consumer durables.

Exports have started to recover remarkably since the beginning of the year. After 0.9% yoy contraction in 2016, exports increased by 9% yoy in the first quarter of 2017. The recovery in EU economies as well as weaker Turkish Liras have boosted exports in recent months, particularly in automotive sectors. On the other hand, imports rose 8% yoy in the first quarter due to energy imports. Global oil prices increased to US\$50-55 range in 2017, from an average of US\$43 per barrel in 2016. Thus, energy imports were up by 39% in the first three months of the year. Tourism revenues continue to decline in annual terms despite the recovery in tourist arrivals from Russia. Current account deficit slightly widened to US\$33.7bn as of February, from US\$32.6bn by end-2016. Current account deficit-to-GDP ratio is expected to deteriorate to 4.5% by end-2017, from 3.8% in 2016.

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

I. REVIEWS OF CHAIRMAN OF BOARD OF DIRECTORS AND GENERAL MANAGER WITH RESPECT TO OPERATING CYCLE AND THEIR FUTURE EXPECTATIONS (Continued)

Inflation has accelerated sharply since the beginning of the year on the back of the pass-through from weaker Turkish Lira as well as upward trend in food and oil prices. Headline inflation rose to 11.3% as of March, from 8.5% by end-2016. Core inflation stands at one-year high of 9.5% as of March. According to the expectations survey conducted by the CBT, year-end inflation expectations rose to 9.2%, while 2-year ahead inflation expectations climbed to 7.7%, the highest level since the introduction of the series in 2003.

Under this framework, the CBT has tightened the monetary policy stance through Late Liquidity Window (LLW) rate and Marginal Funding (MFR) rate. The CBT hiked the LLW by 225bp to 12.25% and the MFR by 75bps to 9.25% since the beginning of the year. Thus, the average weighted funding rate jumped by 350bp to 11.75% as of end-April.

Following Moody’s downgrade in September 2016, the credit rating agency Fitch cut Turkey’s sovereign rating to BB+, ie non-investment status, in January. Thus, Turkey’s sovereign rating by all credit rating agencies stand at non-investment grade.

In the upcoming period, the focus will be on the strength of global economy, the policy actions of the new US administration, the pace of normalisation of the monetary policy in US and critical elections in European countries. In Turkey, political environments after the referendum as well as CBT’s policy stance and any steps of the government on economic reform agenda and will be watched closely.

Unconsolidated balance sheet size of our bank dated 31 March 2017 is TL 14.475.698 while unconsolidated deposit total is TL 8.995.701. Burgan Bank has maintained its support to customers uninterruptedly and unconsolidated net cash loans and factoring receivables total is realized as TL 10.976.130. In 2017, as a result of our attention on credit risk management and strong collateral structure, nonperforming loans to total cash loans ratio is 2.2, which is below the level of the Turkish banking sector average. Our unconsolidated equities have realized as TL 1.121.745 while our unconsolidated capital adequacy ratio has risen up to 17,11%. Our Bank has made a net profit of TL 20.864 in the first quarter of 2017. We will continue to render our services in 17 cities through deepening our relations with our current customers besides gaining new customers.

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

Ali Murat DİNÇ
Member of Board of Directors and General Manager

Mehmet N. ERTEN
Chairman of Board of Directors

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

II. NAMES, SURNAMES, DUTY TERMS, FIELDS OF RESPONSIBILITIES, EDUCATIONAL BACNKGROUNDS AND PROFESSIONAL EXPERIENCES OF MEMBERS AND CHAIRMAN OF BOARD OF DIRECTORS AND MANAGERS OF DEPARTMENTS WITHIN THE SCOPE OF INTERNAL SYSTEMS

<u>Name</u>	<u>Duty</u>	<u>Date of Assignment</u>	<u>Educational Background</u>	<u>Banking and Managership Experience (Year)</u>
<i>Chairman and Members of Board of Directors:</i>				
Mehmet Nazmi Erten	Chairman	29.01.2014	Bachelor’s degree	29
Faisal M.A. Al Radwan	Deputy 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	Post graduate	22
Adrian Alejandro Gostuski	Member	21.12.2012	Post graduate	35
Mehmet Alev Göçmez	Member	23.01.2013	Post graduate	33
Halil Cantekin	Member	30.03.2015	Bachelor’s degree	31
Osama T. Al Goussein	Member	25.06.2014	Bachelor’s degree	33
Ali Murat Dinç	Member and General Manager	03.02.2014	Post graduate	21
<i>General Manager</i>				
Ali Murat Dinç	Member and General Manager	03.02.2014	Post graduate	21
<i>Deputy General Managers:</i>				
Robbert J. R. Voogt	Operation, IT and Private Banking Senior Deputy General Manager	23.09.2013	Bachelor’s degree	15
Esra Aydın	Operation & Management Services	01.08.2007	Bachelor’s degree	16
Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	08.08.2007	Post graduate	11
Hüseyin Cem Öge	Corporate Banking	22.08.2007	Post graduate	13
Cihan Vural	Internal systems	03.11.2008	Bachelor’s degree	13
Rasim Levent Ergin	Human Resources	01.11.2012	Post graduate	17
Emine Pınar Kuriş	Retail Banking	10.12.2013	Doctorate	16
Suat Kerem Sözügüzel	Commercial & SME banking	01.04.2014	Bachelor’s degree	17
Hasan Hüseyin Uyar	Credits	01.04.2014	Post graduate	27
Mehmet Yalçın	Financial Affairs	20.05.2016	Bachelor’s degree	19

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EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

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

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

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

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

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

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

V. SIGNIFICANT EVENTS AND TRANSACTIONS WITHIN THE PERIOD

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 nine-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 permission of the Capital Market Board, mutual funds which is founded by Burgan Portföy Yönetimi A.Ş. started to run off.

The establishment of Burgan Faktoring A.Ş., which is in the process of establishment, has been abandoned. As a result of the application, following the BRSA’s letter dated 29 March 2017, the establishment permission was canceled.

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2017

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

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

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

	31.03.2017	31.12.2016	Change (%)
Total assets	14.475.698	13.721.616	5,5
Credits and Factoring Receivables (Net)	10.976.130	10.685.527	2,7
Securities	670.580	684.002	(2,0)
Deposits	8.995.701	8.309.833	8,3
Debts having credit characteristics	3.660.748	3.661.707	-
Shareholder's equity	1.121.745	1.092.558	2,7
Guarantee and suretyship	2.133.447	1.982.236	7,6
Capital Adequacy ratio	17,11%	17,66%	(3,1)

	01/01/2017-31/03/2017	01/01/2016-31/03/2016
Period Net Profit/(Loss)	20.864	6.231

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

The Bank, gives corporate, commercial, small enterprise, individual, factoring with private banking and financial leasing with its affiliates and banking products and services having a high added value in investment banking fields thanks to its total 49 branches including 9 retail, 1 commercial, 1 corporate and 38 mixed banking branches, its internet banking applications and call centre and 992 employees.

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

31 March 2017

TL Million	Burgan Bank	Sector (*)	Share of our Bank (%)
Cash Credits	10.549	1.848.421	0,57
Customer Deposits	8.866	1.612.469	0,55
Branch Number	49	10.754	0,46
Personnel Number	992	196.758	0,50

(*) Reference BRSA and The Banks Associations of Turkey