

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

BURGAN BANK A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED
DISCLOSURES TOGETHER WITH INDEPENDENT
AUDIT REPORT AT 31 DECEMBER 2016**

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

Independent auditor report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Burgan Bank A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “the Group”) as at December 31, 2016, and the related consolidated income statement, consolidated statement of income and expense items accounted under shareholders’ equity, consolidated statement of cash flows and consolidated statement of changes in shareholders’ equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank’s Board of Directors for the Consolidated Financial Statements

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

Independent Auditor’s Responsibility

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

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

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

Opinion

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

Reports on arising from other regulatory requirements:

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

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

Additional paragraph for convenience translation to English:

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

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

Fatma Ebru Yücel, SMMM
Partner

Istanbul, Turkey
March 10, 2017

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

**THE CONSOLIDATED FINANCIAL AUDIT REPORT OF
BURGAN BANK A.Ş. AS OF 30 DECEMBER 2016**

Address : Maslak Mahallesi, Eski Büyükdere Caddesi, No:13 34485 Sarıyer/İstanbul
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The consolidated financial audit report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

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

Investments in associates, subsidiaries and joint ventures whose financial statements have been consolidated in this reporting package are as follows:

Subsidiaries	Investment in Associates	Joint Ventures
1. Burgan Finansal Kiralama A.Ş.	-	-
2. Burgan Yatırım Menkul Değerler A.Ş.	-	-
3. Burgan Portföy Yönetimi A.Ş.	-	-
4. Burgan Wealth Limited	-	-

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

10 March 2017

Mehmet N. ERTEN
Chairman of the
Board of Directors

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

Mehmet YALÇIN
Financial Affairs
Vice General Manager

Ahmet 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
Telephone Number : 0 212 371 34 84
Fax Number : 0 212 371 42 48

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BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

GENERAL INFORMATION (Continued)

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

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

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

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

GENERAL INFORMATION (Continued)

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

GENERAL INFORMATION (Continued)

IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES IN THE PARENT BANK:

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

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

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

As of 31 December 2016, the Parent Bank has 49 branches operating in Turkey (31 December 2015: 56). The Parent Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2016, the Group has 1.089 (31 December 2015: 1.164) employees.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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**BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2016)			(31/12/2015)		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. CASH AND BALANCES WITH CENTRAL BANK	I-a	161.255	1.157.611	1.318.866	147.888	946.187	1.094.075
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	84.444	51.759	136.203	72.578	37.310	109.888
2.1 Trading Financial Assets		84.444	51.759	136.203	72.578	37.310	109.888
2.1.1 Government Debt Securities		27.120	840	27.960	27.938	2.569	30.507
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		54.221	50.084	104.305	37.598	34.517	72.115
2.1.4 Other Marketable Securities		3.103	835	3.938	7.042	224	7.266
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	I-c	95.216	242.892	338.108	87.166	107.967	195.133
IV. MONEY MARKETS		17.110	-	17.110	22.195	-	22.195
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		16.690	-	16.690	22.195	-	22.195
4.3 Receivables from Reverse Repurchase Agreements		420	-	420	-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-d	370.543	168.612	539.155	272.856	380.474	653.330
5.1 Share Certificates		11.568	-	11.568	11.567	-	11.567
5.2 Government Debt Securities		358.462	92.465	450.927	258.441	279.985	538.426
5.3 Other Marketable Securities		513	76.147	76.660	2.848	100.489	103.337
VI. LOANS	I-e	4.666.340	6.064.455	10.730.795	3.806.299	4.458.500	8.264.799
6.1 Loans		4.533.679	6.064.455	10.598.134	3.702.571	4.458.500	8.161.071
6.1.1 Loans to Bank's Risk Group		106	7	113	84	5	89
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		4.533.573	6.064.448	10.598.021	3.702.487	4.458.495	8.160.982
6.2 Loans under Follow-up		278.035	-	278.035	240.615	-	240.615
6.3 Specific Provisions (-)		145.374	-	145.374	136.887	-	136.887
VII. FACTORING RECEIVABLES	I-e	123	704	827	856	817	1.673
VIII. HELD-TO-MATURITY SECURITIES (Net)	I-f	-	161.607	161.607	-	-	-
8.1 Government Debt Securities		-	161.607	161.607	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-g	-	-	-	-	-	-
9.1 Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	I-h	-	-	-	-	-	-
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI. JOINT VENTURES (Net)	I-i	-	-	-	-	-	-
11.1 Consolidated Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-Financial Joint Ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	I-j	303.741	1.005.983	1.309.724	305.404	623.323	928.727
12.1 Financial Lease Receivables		398.103	1.147.332	1.545.435	407.352	712.029	1.119.381
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		94.362	141.349	235.711	101.948	88.706	190.654
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	I-k	176.246	7.940	184.186	40.809	36	40.845
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		176.246	7.940	184.186	40.809	36	40.845
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	I-l	72.566	1.590	74.156	63.580	-	63.580
XV. INTANGIBLE ASSETS (Net)	I-m	48.465	1.059	49.524	45.737	-	45.737
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		48.465	1.059	49.524	45.737	-	45.737
XVI. INVESTMENT PROPERTY (Net)	I-n	-	-	-	-	-	-
XVII. TAX ASSET		10.510	-	10.510	9.541	-	9,541
17.1 Current Tax Asset		2.220	-	2.220	245	-	245
17.2 Deferred Tax Asset	I-o	8.290	-	8.290	9.296	-	9.296
XVIII. ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	I-p	45.511	-	45.511	6.695	-	6,695
18.1 Held for Resale		45.511	-	45.511	6.695	-	6.695
18.2 Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	I-r	80.957	96.906	177.863	88.376	48.523	136.899
TOTAL ASSETS		6.133.027	8.961.118	15.094.145	4.969.980	6.603.137	11.573.117

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I. OF SECTION THREE**

**BURGAN BANK A.Ş.
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

I.	BALANCE SHEET	Note (Section Five)	(31/12/2016)			(31/12/2015)		
			TL	FC	Total	TL	FC	Total
	LIABILITIES							
I.	DEPOSITS	II-a	2.847.484	5.401.185	8.248.669	1.872.349	4.739.162	6.611.511
1.1	Deposits of Bank's Risk Group		7.882	23.779	31.661	4.586	19.440	24.026
1.2	Other		2.839.602	5.377.406	8.217.008	1.867.763	4.719.722	6.587.485
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	II-b	114.784	36.055	150.839	46.703	29.613	76.316
III.	BORROWINGS	II-c	98.573	3.347.535	3.446.108	140.264	2.381.984	2.522.248
IV.	MONEY MARKETS		310.620	185.428	496.048	172.258	265.819	438.077
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		70.592	-	70.592	42.291	-	42.291
4.3	Funds Provided Under Repurchase Agreements		240.028	185.428	425.456	129.967	265.819	395.786
V.	MARKETABLE SECURITIES ISSUED (Net)	II-d	49.288	-	49.288	49.255	-	49.255
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		49.288	-	49.288	49.255	-	49.255
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		53.151	206.292	259.443	92.320	66.902	159.222
VIII.	OTHER LIABILITIES	II-e	61.373	5.905	67.278	82.853	2.253	85.106
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	II-f	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	II-g	27.528	1.958	29.486	15.132	-	15.132
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		27.528	1.958	29.486	15.132	-	15.132
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	II-h	85.008	73.726	158.734	81.733	59.435	141.168
12.1	General Loan Loss Provision		36.460	53.785	90.245	38.681	38.816	77.497
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		29.558	-	29.558	26.817	-	26.817
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		18.990	19.941	38.931	16.235	20.619	36.854
XIII.	TAX LIABILITY	II-i	38.216	-	38.216	23.687	-	23.687
13.1	Current Tax Liability		24.420	-	24.420	23.687	-	23.687
13.2	Deferred Tax Liability		13.796	-	13.796	-	-	-
XIV.	PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	II-j	-	-	-	-	-	-
14.1	Held for Resale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	II-k	-	1.057.478	1.057.478	-	438.893	438.893
XVI.	SHAREHOLDERS' EQUITY	II-l	1.097.572	(5.014)	1.092.558	1.013.359	(857)	1.012.502
16.1	Paid-in Capital		900.000	-	900.000	900.000	-	900.000
16.2	Capital Reserves		32.810	(5.014)	27.796	20.270	(857)	19.413
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(872)	(6.999)	(7.871)	(1.521)	(857)	(2.378)
16.2.4	Tangible Assets Revaluation Reserve		16.127	-	16.127	15.122	-	15.122
16.2.5	Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging Reserves (Effective portion)		19.930	1.985	21.915	9.216	-	9.216
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(2.375)	-	(2.375)	(2.547)	-	(2.547)
16.3	Profit Reserves		93.089	-	93.089	87.205	-	87.205
16.3.1	Legal Reserves		20.178	-	20.178	19.107	-	19.107
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		72.911	-	72.911	68.098	-	68.098
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		71.673	-	71.673	5.884	-	5.884
16.4.1	Prior Years' Income or (Loss)		-	-	-	(46.285)	-	(46.285)
16.4.2	Current Year Income or (Loss)		71.673	-	71.673	52.169	-	52.169
16.5	Minority Shares		-	-	-	-	-	-
	TOTAL LIABILITIES		4.783.597	10.310.548	15.094.145	3.589.913	7.983.204	11.573.117

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

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

**BURGAN BANK A.Ş.
CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT
31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

II. OFF-BALANCE SHEET	Note (Section Five/Five)	(31/12/2016)			(31/12/2015)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I-II+III)		6.317.735	17.474.566	23.792.301	6.824.401	12.871.473	19.695.874
I. GUARANTEES AND WARRANTIES	III-a-2-3	734.697	1.247.539	1.982.236	631.672	912.483	1.544.155
1.1 Letters of Guarantee		730.919	853.508	1.584.427	628.292	596.943	1.225.235
1.1.1 Guarantees Subject to State Tender Law		7.398	4.575	11.973	7.486	26.218	33.704
1.1.2 Guarantees Given for Foreign Trade Operations							
1.1.3 Other Letters of Guarantee		723.521	848.933	1.572.454	620.806	570.725	1.191.531
1.2 Bank Acceptances		3.750	126.967	130.717	3.352	93.928	97.280
1.2.1 Import Letter of Acceptance		3.750	126.967	130.717	3.352	93.928	97.280
1.2.2 Other Bank Acceptances							
1.3 Letters of Credit			256.635	256.635		195.057	195.057
1.3.1 Documentary Letters of Credit			256.635	256.635		195.057	195.057
1.3.2 Other Letters of Credit							
1.4 Prefinancing Given as Guarantee							
1.5 Endorsements							
1.5.1 Endorsements to the Central Bank of the Republic of Turkey							
1.5.2 Other Endorsements							
1.6 Securities Issue Purchase Guarantees							
1.7 Factoring Guarantees		28		28	28		28
1.8 Other Guarantees			10.429	10.429		26.555	26.555
1.9 Other Collaterals							
II. COMMITMENTS	III-a-1	625.226	392.275	1.017.501	677.279	275.640	952.919
2.1 Irrevocable Commitments		625.226	392.275	1.017.501	677.279	275.640	952.919
2.1.1 Asset Purchase and Sales Commitments		184.868	392.275	577.143	220.061	275.640	495.701
2.1.2 Deposit Purchase and Sales Commitments							
2.1.3 Share Capital Commitments to Associates and Subsidiaries		14.997		14.997			
2.1.4 Commitments for Loan Limits		105.005		105.005	128.409		128.409
2.1.5 Securities Issue Brokerage Commitments							
2.1.6 Commitments for Reserve Deposit Requirements							
2.1.7 Commitments for Cheques		302.867		302.867	299.665		299.665
2.1.8 Tax and Fund Liabilities from Export Commitments							
2.1.9 Commitments for Credit Card Limits		17.475		17.475	25.825		25.825
2.1.10 Promotion Commitments for Credit Cards and Banking Services		14		14	19		19
2.1.11 Receivables from Short Sale Commitments of Marketable Securities							
2.1.12 Payables for Short Sale Commitments of Marketable Securities							
2.1.13 Other Irrevocable Commitments					3.300		3.300
2.2 Revocable Commitments							
2.2.1 Revocable Commitments for Loan Limits							
2.2.2 Other Revocable Commitments							
III. DERIVATIVE FINANCIAL INSTRUMENTS	III-b	4.957.812	15.834.752	20.792.564	5.515.450	11.683.350	17.198.800
3.1 Hedging Derivative Financial Instruments		587.700	2.115.800	2.703.500	248.580	736.192	984.772
3.1.1 Transactions for Fair Value Hedge							
3.1.2 Transactions for Cash Flow Hedge		587.700	2.115.800	2.703.500	248.580	736.192	984.772
3.1.3 Transactions for Foreign Net Investment Hedge							
3.2 Trading Derivative Financial Instruments		4.370.112	13.718.952	18.089.064	5.266.870	10.947.158	16.214.028
3.2.1 Forward Foreign Currency Buy/Sell Transactions		329.245	686.909	1.016.154	374.864	949.719	1.324.583
3.2.1.1 Forward Foreign Currency Transactions-Buy		205.259	297.600	502.919	200.408	460.907	661.315
3.2.1.2 Forward Foreign Currency Transactions-Sell		123.986	389.249	513.235	174.456	488.812	663.268
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		2.691.398	8.602.947	11.294.345	2.902.323	6.961.022	9.863.345
3.2.2.1 Foreign Currency Swap-Buy		1.283.949	1.201.567	2.485.516	988.804	1.853.741	2.842.545
3.2.2.2 Foreign Currency Swap-Sell		967.449	1.563.264	2.530.713	1.473.519	1.390.415	2.863.934
3.2.2.3 Interest Rate Swap-Buy		220.000	2.919.058	3.139.058	220.000	1.858.433	2.078.433
3.2.2.4 Interest Rate Swap-Sell		220.000	2.919.058	3.139.058	220.000	1.858.433	2.078.433
3.2.3 Foreign Currency, Interest rate and Securities Options		1.347.249	4.429.096	5.776.345	1.988.329	3.036.417	5.024.746
3.2.3.1 Foreign Currency Options-Buy		734.860	2.151.650	2.886.510	985.139	1.524.640	2.509.779
3.2.3.2 Foreign Currency Options-Sell		612.389	2.277.446	2.889.835	1.003.190	1.511.777	2.514.967
3.2.3.3 Interest Rate Options-Buy							
3.2.3.4 Interest Rate Options-Sell							
3.2.3.5 Securities Options-Buy							
3.2.3.6 Securities Options-Sell							
3.2.4 Foreign Currency Futures							
3.2.4.1 Foreign Currency Futures-Buy							
3.2.4.2 Foreign Currency Futures-Sell							
3.2.5 Interest Rate Futures							
3.2.5.1 Interest Rate Futures-Buy							
3.2.5.2 Interest Rate Futures-Sell							
3.2.6 Other		2.220		2.220	1.354		1.354
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		30.083.751	20.258.797	50.342.548	24.767.132	14.305.360	39.072.492
IV. ITEMS HELD IN CUSTODY		1.541.650	136.089	1.677.739	1.600.255	117.865	1.718.120
4.1 Customer Fund and Portfolio Balances							
4.2 Investment Securities Held in Custody		488.524	31.344	519.868	621.314	18.910	640.224
4.3 Cheques Received for Collection		985.735	85.790	1.071.525	843.730	83.272	927.002
4.4 Commercial Notes Received for Collection		67.391	18.955	86.346	105.083	15.683	120.766
4.5 Other Assets Received for Collection							
4.6 Assets Received for Public Offering							
4.7 Other Items Under Custody					30.128		30.128
4.8 Custodians							
V. PLEDGES RECEIVED		28.542.101	20.119.716	48.661.817	23.165.927	14.175.131	37.341.058
5.1 Marketable Securities		2.650		2.650	1.043		1.043
5.2 Guarantee Notes		18.791.720	9.532.145	28.323.865	16.761.580	8.098.175	24.859.755
5.3 Commodity		963.418	9.139	972.557	677.707	8.807	686.514
5.4 Warranty							
5.5 Immovable		8.264.710	7.295.770	15.560.480	5.399.915	4.197.673	9.597.588
5.6 Other Pledged Items		519.603	3.282.662	3.802.265	325.682	1.870.476	2.196.158
5.7 Pledged Items-Depository							
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES			2.992	2.992	950	12.364	13.314
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		36.401.486	37.733.363	74.134.849	31.591.533	27.176.833	58.768.366

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

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

**BURGAN BANK A.Ş.
CONSOLIDATED INCOME STATEMENT AS AT
31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

III.	INCOME STATEMENT	Note (Section Five)	01/01/2016- 31/12/2016	01/01/2015- 31/12/2015
	INCOME AND EXPENSE ITEMS			
I.	INTEREST INCOME	IV-a	1.246.480	924.709
1.1	Interest on Loans		831.389	687.988
1.2	Interest Received from Reserve Requirements		9.570	3.835
1.3	Interest Received from Banks		3.321	3.695
1.4	Interest Received from Money Market Transactions		7.612	5.670
1.5	Interest Received from Marketable Securities Portfolio		42.378	35.358
1.5.1	Trading Financial Assets		5.554	3.650
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		34.985	31.708
1.5.4	Held-to-maturity Investments		1.839	-
1.6	Financial Lease Income		90.474	68.064
1.7	Other Interest Income	IV-1	261.736	120.099
II.	INTEREST EXPENSE (-)	IV-b	826.287	559.611
2.1	Interest on Deposits		396.924	285.342
2.2	Interest on Funds Borrowed		134.004	92.326
2.3	Interest Expense on Money Market Transactions		24.718	14.099
2.4	Interest on Securities Issued		10.383	4.692
2.5	Other Interest Expenses	IV-1	260.258	163.152
III.	NET INTEREST INCOME (I + II)		420.193	365.098
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		40.113	45.554
4.1	Fees and Commissions Received		48.671	58.178
4.1.1	Non-cash Loans		14.377	11.722
4.1.2	Other		34.294	46.456
4.2	Fees and Commissions Paid (-)		8.558	12.624
4.2.1	Non-cash Loans (-)		605	555
4.2.2	Other (-)	IV-1	7.953	12.069
V.	DIVIDEND INCOME	IV-c	627	542
VI.	TRADING INCOME / (LOSS) (Net)	IV-d	24.548	32.688
6.1	Trading Gains/(Losses) on Securities		7.979	4.938
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		12.605	(9.028)
6.3	Foreign Exchange Gains/(Losses)		3.964	36.778
VII.	OTHER OPERATING INCOME	IV-e	19.476	19.347
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		504.957	463.229
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-f	76.730	92.382
X.	OTHER OPERATING EXPENSES (-)	IV-g	330.488	301.919
XI.	NET OPERATING INCOME/(LOSS) (VIII+IX+X)		97.739	68.928
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIII.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XIV.	INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-h	97.739	68.928
XV.	TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-i	26.066	16.759
16.1	Current Tax Provision		13.108	10.693
16.2	Deferred Tax Provision		12.958	6.066
XVII.	NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+ XVI)	IV-j	71.673	52.169
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-Current Assets Held for Resale		-	-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other Income from Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expense from Non-Current Assets Held for Resale		-	-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other Expenses from Discontinued Operations		-	-
XX.	INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII.	NET INCOME/(LOSS) (XVII+XXII)	IV-k	71.673	52.169
	Earnings / (Loss) per share (1.000 nominal in TL full)		0,796	0,580

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN
EQUITY FOR THE 31 DECEMBER 2016 AND 2015**

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

IV.	STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	31/12/2016	31/12/2015
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(8.130)	(4.423)
II.	REVALUATION DIFFERENCES OF TANGIBLE ASSETS	1.256	2.419
III.	REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
	FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY		
IV.	TRANSACTIONS	-	-
V.	INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	15.874	11.520
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS(*)	215	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	1011	(383)
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(1.844)	(1.826)
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	8.382	7.307
XI.	CURRENT PERIOD INCOME/LOSS	71.673	52.169
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	3.634	1.419
11.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4	Other	68.039	50.750
XII.	TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	80.055	59.476

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BURGAN BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2015

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
PRIOR PERIOD 31/12/2015	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Interest	Minority Interest	Total Shareholders' Equity
I. Prior Period End Balance (31/12/2014)	II-1	900.000	-	-	-	18.397	-	51.235	(2.492)	17.824	(46.285)	1.160	13.187	-	-	-	953.026	-	953.026
Changes in the Period																			
II. Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	-	(3.538)	-	-	-	-	(3.538)	-	(3.538)
IV. Hedging Reserves (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.216	-	9.216	-	9.216
4.1 Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.216	-	9.216	-	9.216
4.2 Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation Differences of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	1.935	-	-	-	1.935	-	1.935
VI. Revaluation Differences of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of the Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equity of Investments in Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other	-	-	-	-	-	-	-	-	(306)	-	-	-	-	-	-	-	(306)	-	(306)
XVII. Current Year Income or Loss	-	-	-	-	-	-	-	-	-	52.169	-	-	-	-	-	-	52.169	-	52.169
XVIII. Profit Distribution	-	-	-	-	-	710	-	16.863	251	(17.824)	-	-	-	-	-	-	-	-	-
18.1 Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves	-	-	-	-	-	710	-	16.863	251	(17.824)	-	-	-	-	-	-	-	-	-
18.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III.+XVIII)		900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502	-	1.012.502

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

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

BURGAN BANK A.Ş.

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

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

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

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

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**BURGAN BANK A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

VI. STATEMENT OF CASH FLOWS	Note	31/12/2016	31/12/2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		(33.328)	49.007
1.1.1 Interest received		1.125.527	848.530
1.1.2 Interest paid		(816.656)	(550.817)
1.1.3 Dividend received		627	542
1.1.4 Fees and commissions received		44.703	51.660
1.1.5 Other income		-	-
1.1.6 Collections from previously written-off loans and other receivables		86.450	64.811
1.1.7 Payments to personnel and service suppliers		(172.980)	(161.848)
1.1.8 Taxes paid		(15.507)	(245)
1.1.9 Other	VI-b	(285.492)	(203.626)
1.2 Changes in operating assets and liabilities		(270.738)	(207.338)
1.2.1 Net (increase)/decrease in trading securities		6.032	42.516
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in due from banks		(186.635)	(328.318)
1.2.4 Net (increase)/decrease in loans		(2.431.890)	(1.688.702)
1.2.5 Net (increase)/decrease in other assets		(433.122)	(135.005)
1.2.6 Net (increase)/decrease in bank deposits		6.755	(90.475)
1.2.7 Net increase/(decrease) in other deposits		1.623.648	1.358.422
1.2.8 Net increase/(decrease) in funds borrowed		1.011.652	686.028
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net increase/(decrease) in other liabilities	VI-b	132.822	(51.804)
I. Net cash provided from banking operations		(304.066)	(158.331)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(94.015)	37.216
2.1 Cash paid for acquisition of investments, associates and subsidiaries		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries		-	-
2.3 Purchases of property and equipment		(32.727)	(37.243)
2.4 Disposals of property and equipment		144	7.021
2.5 Cash paid for purchase of investments available-for-sale		(351.662)	(510.931)
2.6 Cash obtained from sale of investments available-for-sale		451.837	578.369
2.7 Cash paid for purchase of investment securities		(161.607)	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		527.753	49.100
3.1 Cash obtained from funds borrowed and securities issued		677.950	49.100
3.2 Cash used for repayment of funds borrowed and securities issued		(150.000)	-
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		(197)	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		45.407	13.347
V. Net (increase)/decrease in cash and cash equivalents (I+II+III+IV)		175.079	(58.668)
VI. Cash and cash equivalents at beginning of the period		574.482	633.150
VII. Cash and cash equivalents at end of the period		749.561	574.482

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

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**BURGAN BANK A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

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

(*YTL 5.026 that seen in net profit, TAS 27 basis within the framework of the principles of the Bank's equity method applied the subsidiaries that can not be subject to distribution of net profit / loss refers to the amount. Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(**) Contains "Profit Appropriation Statement" approved by the Bank's General Assembly held on 30 March 2016. Does not include the effects of TAS 27 standard.

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

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION:

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

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and annexes and comments (collectively "Turkish Accounting Standards" or "TAS") implemented by the the Public Oversight Auditing and Accounting Standards Authority (POA), other regulations, communiqués and circulars in respect of accounting and financial reporting promulgated by the Banking Regulatory and Supervision Agency (BRSA), announcements by BRSA, Turkish Commercial Code and Tax Legislation. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012 and changes in the related communiqué.

The consolidated financial statements have been prepared in TL, under the historical cost convention as modified, except for the financial assets and liabilities, which are carried at fair value.

Amounts in the consolidated financial statements and related notes and explanations are expressed in thousand of Turkish Lira unless otherwise stated.

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

The amendments of TAS and TFRS which have entered into force as of 1 January 2016 have no material impact on the the parent bank's accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (extracted TAS 9 Financial Instruments Standard version of 2011), which have been published as of reporting date but havenot been effective yet, have no impact on the accounting policies, financial condition and performance of the Parent Bank. The Parent Bank assesses the impact of TFRS 9 Financial Instruments standard. The accounting policies and valuation principles applied in the preparation of consolidated financial statements are determined and applied in accordance with TAS and TFRS and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2015. Those accounting policies and valuation principles are explained in Notes II to XXVIII below.

- b. Explanations on changes in accounting policies and financial statement presentation:**

None.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

ACCOUNTING POLICIES (Continued)

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

The Group's core business activities include retail banking, commercial banking, SME banking, corporate banking, private banking, foreign exchange, money markets, securities transactions (Treasury transactions) and international banking services. The general strategy of the Group of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Group is deposits. Other than deposits, the Group's most important funding sources are equity, marketable securities issued, money market borrowings and mostly borrowings from foreign financial institutions. The Group can also sustain a lengthened liability structure by using long-term borrowings from foreign financial institutions. Funds obtained from deposits and other sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed accordingly within the risk limits accepted by the Group and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Group as a result of foreign currency activities being held at minimum levels and the exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

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

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

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

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

Consolidated financial statements are prepared in accordance with the "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10"). Consolidation principles for subsidiaries:

Subsidiaries are entities controlled directly or indirectly by the Parent Bank. Subsidiaries are consolidated using the full consolidation method on the grounds of materiality principle considering their operations, asset and equity sizes. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank.

Control means, directly or indirectly, holding the majority of the capital of an enterprise or although not having this majority, by holding privileged shares; or based on agreements made with other shareholders, holding the majority of the voting power or somehow having the power of dismissal or appointment of the majority of the members of the board of directors regarding the Parent Bank.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
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BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

ACCOUNTING POLICIES (Continued)

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

In the full consolidation method, 100% of subsidiaries' assets, liabilities, income, expense and off-balance sheet items are combined with the Parent Bank's assets, liabilities, income, expense and off-balance sheet items.

The carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. Intergroup balances and intergroup transactions and resulting unrealized profits and losses are eliminated. Minority interests in the net income of consolidated subsidiaries are identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Group. Minority interests are presented in the consolidated balance sheet, in the shareholder's equity. Minority interests are presented separately in the Group's income.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent Bank.

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

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

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

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

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

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

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

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

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

ACCOUNTING POLICIES (Continued)

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

As of 31 December 2016, The Parent Bank applies cash flow hedge accounting through cross and interest currency swaps to protect against changing in interest rate of FC deposit that is the average maturity of up to 3 months.

The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with income statement.

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method.

The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:

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

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

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ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS:

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

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

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

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

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

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

b. Held-to-maturity financial assets:

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

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

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

c. Loans and receivables:

Loans and receivables are financial assets which are created by providing money, services or goods to a debtor. Loans and receivables originated by the Group are carried initially at cost and subsequently recognized at the amortized cost value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

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ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):

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

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

d. Available-for-sale financial assets:

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

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

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:

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

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

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ACCOUNTING POLICIES (Continued)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:

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

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

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

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

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

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

The Group has no discontinued operations.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:

a. Goodwill

The excess of the cost of an acquisition over the fair value of the Group’s share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized. The acquirer also recognizes assets that are capable of being individually identified and separately recognized, intangible assets (i.e. trademarks) and contingent liabilities at fair value, irrespective of whether the asset had been recognized by the acquiree before the business combination; if it can be distinguished from the goodwill and if the asset’s fair value can be measured reliably.

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ACCOUNTING POLICIES (Continued)

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS (Continued):

a. Goodwill

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to depreciation, but is tested annually for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36"). For the purpose of impairment testing, goodwill acquired in a business combination must be allocated from the acquisition date to each of the acquirer's cash generating units that are expected to benefit from the synergies of the business combination. Since the Group has recognised a goodwill impairment of TL 63.973 regarding the goodwill from acquisition of Burgan Yatırım Menkul Değerler A.Ş. based on the assessment done as of 31 December 2012, the net carrying value of goodwill in the consolidated financial statements is null as of 31 December 2016.

b. Other intangible assets

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

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:

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

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

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

Buildings	2%
Movables, Movables Acquired by Financial Leasing	5-50%

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

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

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ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued):

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

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS:

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

Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "Provision for value decrease" is recognized. Liabilities arising from the leasing transactions are included in "Financial Lease Payables" on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Group realizes financial leasing transactions in the capacity of "lessor" by means of Burgan Finansal Kiralama A.Ş. which is the consolidated subsidiary of the Group. The asset subject to financial leasing is disclosed as net financial leasing receivable in the balance sheet. The interest income is determined in a way to form a fixed revenue return ratio using net investment method related to leased asset of the lessor, and the portion of interest income which does not take part in the related term is followed under unearned interest income account.

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

The Group provides specific provisions for lease receivables based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining Provisions for Financial Lease Receivables, Factoring Receivables and Receivables of Financing Companies" published in the Official Gazette No. 26588 dated 20 July 2007 and changes in the related communiqué.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:

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

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

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ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON CONTINGENT ASSETS:

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

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:

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

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

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

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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 2016 (2015: 20%). The corporate tax rate is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

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

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

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax:

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements for the Parent Bank and for each consolidated subsidiary separately.

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ACCOUNTING POLICIES (Continued)

XIX. EXPLANATIONS ON BORROWINGS:

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

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

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

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:

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

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS:

As of 31 December 2016 and 31 December 2015, the Group has no government grants.

XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:

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

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

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

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

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

XXV. EXPLANATIONS ON RELATED PARTIES:

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

XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:

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

XXVII. EXPLANATIONS ON SEGMENT REPORTING:

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

XXVIII. RECLASSIFICATIONS:

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON EQUITY:

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

As of 31 December 2016 Bank’s total capital has been calculated as TL 2.147.530, Capital adequacy ratio is 15,84%. As of 31 December 2015, Bank’s total capital amounted to TL 1.462.534, Capital adequacy ratio was 14,49% calculated pursuant to former regulations.

a. Information about total capital:

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000	
Share issue premiums	-	
Reserves	93.273	
Gains recognized in equity as per TAS	39.053	
Profit	71.673	
Current Period Profit	71.673	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1.103.999	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	11.441	
Improvement costs for operating leasing	18.835	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	29.338	48.896
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	21.915	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total 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	81.529	
Total Common Equity Tier 1 Capital	1.022.470	

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

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

I. EXPLANATIONS ON EQUITY (Continued):

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	19.558	
Net deferred tax asset/liability which is not deducted from Common 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)	1.002.912	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	1.055.760	
Provisions (Article 8 of the Regulation on the Equity of Banks)	90.245	
Tier II Capital Before Deductions	1.146.005	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	835	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier 1 Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	835	
Total Tier II Capital	1.145.170	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.148.082	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	552	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common 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 December 2016	Amounts related to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	2.147.530	
Total risk weighted amounts	13.553.573	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	7,54	
Tier I Capital Adequacy Ratio	7,40	
Capital Adequacy Ratio	15,84	
BUFFERS		
Total buffer requirement	0,625	
Capital conservation buffer requirement	0,625	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	3,04	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	26.176	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	90.245	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	90.245	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to 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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I. EXPLANATIONS ON EQUITY (Continued):

Prior Period:

	31 December 2015 (**)
CORE CAPITAL	
Paid-in capital following all debts in terms of claim in case of the Bank's litigation	900.000
Share premium	-
Share cancellation profits	-
Reserves	87.389
Gains recognized in equity as per TAS	24.338
Profit	52.169
Current Year Income	52.169
Prior Years Income	-
Provisions for possible risks	-
Bonus Shares from Investment in Associates, Subsidiaries and Joint Ventures that are not recognized in Profit	-
Seed Capital Before Deductions	1.063.896
Deductions From Seed Capital	
Portion of the sum of net loss for the period and accumulated losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	51.394
Leasehold improvements (-)	18.082
Goodwill or other intangible assets and deferred tax liability related to these items (-)	18.022
Net deferred tax asset/liability (-)	-
Shares obtained contrary to the 4th clause of the 56th article of the Law (-)	-
Direct and indirect investments in the seed capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% or more of the seed capital of the bank (-)	-
Portion of the total of net long positions of investment made in seed capital elements of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-)	-
Portion of offering mortgage service rights exceeding 10% of the seed capital (-)	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the seed capital (-)	-
Amount exceeding 15% of the seed capital pursuant to Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of investment made in seed capital elements of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-)	-
Exceeding amount resulting from offering mortgage service rights (-)	-
Exceeding amount resulting from deferred tax assets based on temporary differences (-)	-
Other items defined by BRSA (-)	-
Amount to be discounted from the seed capital in the case that adequate additional principal capital or supplementary capital is not available (-)	-
Total Deductions From Seed Capital	87.498
Total Seed Capital	976.398
ADDITIONAL CORE CAPITAL	
Capital amount and related premiums corresponding to preference shares that are not included to seed capital	-
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued before 1.1.2014)	-
Additional Core Capital before Deductions	-
Deductions From Additional Core Capital	
Direct and indirect investments in the additional core capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-)	-
Portion of the total of net long positions of investment made in additional principal capital and supplementary capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-)	-
Other items defined by BRSA (-)	-
Amount to be discounted from the additional principal capital in the case that adequate supplementary capital is not available (-)	-
Total Deductions From Additional Core Capital	-
Total Additional Core Capital	-
Deductions From Core Capital	
Portion of goodwill and other intangible assets and the deferred tax liabilities related to these which is not discounted from the seed capital pursuant to paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	27.034
Portion of net deferred tax assets/liabilities which is not discounted from the seed capital pursuant to paragraph 1 Provisional Article 2 of the Regulation on the Equity of Banks (-)	27.034
Total Core Capital	949.364
SUPPLEMENTARY CAPITAL	
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied after 1.1.2014)	-
Debt instruments and premiums deemed suitable by BRSA (issued/ supplied before 1.1.2014) (*)	436.237
Sources pledged to the bank by shareholders to be used in capital increases of the bank	-
General Provisions	77.497
Third party shares in Supplementary Capital	-
Supplementary Capital Before Deductions	513.734
Deductions From Supplementary Capital	
Direct and indirect investments in the supplementary capital made by the Bank (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-)	-
Portion of the total of net long positions of investment made in additional principal capital and supplementary capital elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank (-)	-
Other items defined by BRSA (-)	-
Total Deductions From Supplementary Capital	-
Total Supplementary Capital	513.734
DEDUCTIONS FROM CAPITAL	
Loans granted contrary to the 50th and 51st article of the Law (-)	564
Net book value of amounts exceeding the limit mentioned in paragraph one of article 57 of the Code and property and real property acquired by the banks because of their receivables which could not be disposed of even though five years have passed since the date of their acquisition pursuant to the same article (-)	341
Loans given to banks and financial institutions, including those established abroad, and to eligible shareholders of the bank, and investments made in the borrowing instruments exported by them (-)	223
Amount to be discounted from equity in accordance with paragraph two of article 20 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	-
Other items defined by BRSA (-)	-
Portion of the total of net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated exceeding 10% of the seed capital of the bank which is not discounted from the additional principal capital and supplementary capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of investment made directly or indirectly in additional principal capital or supplementary capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated which is not discounted from the additional principal capital and supplementary capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation on the Equity of Banks (-)	-
Portion of the total of net long positions of investment made in seed capital elements, deferred tax assets based on temporary differences and offering mortgage service rights of banks and financial institutions, more than 10% of the shareholding interests of which is owned and which are not consolidated to be discounted from the seed capital pursuant to subparagraphs (1) and (2) of paragraph 2 of the Provisional Article 2 of the Regulation on the Equity of Banks which is not discounted from the seed capital pursuant to paragraph 1 of the Provisional Article 2 of the Regulation (-)	-
EQUITY	1.462.534
Amounts Below the Exceeding Limits in the Discount Principles	
Amounts resulting from the net long positions of investment made in equity elements of banks and financial institutions, 10% or less of the shareholding interests of which is owned and which are not consolidated	-
Amounts resulting from the net long positions of investment made in seed capital elements of banks and financial institutions, 10% or more of the shareholding interests of which is owned and which are not consolidated	-
Amount resulting from offering mortgage service rights	-
Amount resulting from deferred tax assets based on temporary differences	21.753

(*) The subordinated loan used in the Equity account in accordance with the permission of the Banking Regulation and Supervision Agency dated 2 December 2013 possesses the nature stated in article 8 of the Regulation on the Equity of Banks which took effect on 1 January 2014. TL 1,478 thousand of this amount recognized by deduction from the subordinated loans consists of cash loans provided to the risk group in which the bank is included.

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

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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)	527.880	527.880
Par value of instrument (USD)	150.000	150.000
Accounting classification	Liability-Subordinated Loans-amortised cost	Liability-Subordinated Loans-amortised cost
Original date of issuance	6 December 2013	30 March 2016
Perpetual or dated	Dated	Dated
Original maturity date	10 Years	10 Years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends	3 Months	3 Months
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	LIBOR+3,75	LIBOR+3,75
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature	None	None
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
In compliance with article number 7 and 8 of “Own fund regulation”	None	None
Details of incompliances with article number 7 and 8 of “Own fund regulation”	None	None

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(Continued)**

II. EXPLANATIONS ON CREDIT RISK:

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

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

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

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

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

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

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II. EXPLANATIONS ON CREDIT RISK (Continued):

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

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

Risk Group	Amount	Average
Claims on sovereigns and Central Banks	2.025.747	1.781.641
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	1.000	261
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	1.221.755	864.576
Claims on corporates	9.963.105	8.707.376
Claims included in the regulatory retail portfolios	263.926	313.505
Claims secured by residential property	3.811.471	3.126.028
Past due loans	132.661	120.443
Higher risk categories decided by the Board	-	11.807
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other Receivables	491.747	493.817
Total	17.911.412	15.419.454

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

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

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

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

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

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(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

In the current period, the share of the Group receivables due to cash loans extended to its top 100 and top 200 customers are 67%, 77% (31 December 2015: 61% and 71%) within the total cash loan portfolio.

In the current period, the share of the Group receivables due to non-cash loans extended to its top 100 and top 200 customers are 49%, 63% (31 December 2015: 38% and 53%) within the total non-cash loans portfolio.

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

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

a. Information on types of loans and specific provisions:

31 December 2016	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Standard Loans	9.679.878	237.324	4.824	1.093.054	8	11.015.088
Loans under close monitoring	657.589	17.740	779	216.670	819	893.597
Non-performing loans	225.038	3.138	1.234	46.818	1.807	278.035
Specific provision (-)	116.147	1.370	1.045	25.956	856	145.374
Total	10.446.358	256.832	5.792	1.330.586	1.778	12.041.346

31 December 2015	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Standard Loans	7.523.793	127.961	8.617	895.080	6	8.555.457
Loans under close monitoring	488.655	10.561	1.484	33.647	1.667	536.014
Non-performing loans	201.151	3.343	2.044	30.310	3.767	240.615
Specific provision (-)	112.259	3.339	1.571	17.830	1.888	136.887
Total	8.101.340	138.526	10.574	941.207	3.552	9.195.199

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(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2016	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Past due 0-30 days	645.201	19.105	779	228.871	819	894.775
Past due 30-60 days	20.270	6.236	-	55.165	-	81.671
Past due 60-90 days	28.079	2.369	-	87.407	-	117.855
Total	693.550	27.710	779	371.443	819	1.094.301

31 December 2015	Corporate	Consumer	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Past due 0-30 days	468.387	10.274	1.497	136.685	1.667	618.510
Past due 30-60 days	23.318	3.259	120	43.159	-	69.856
Past due 60-90 days	14.822	2.129	34	40.526	-	57.511
Total	506.527	15.662	1.651	220.370	1.667	745.877

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

31 December 2016	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
Baa1(*)	27.960	527.074	161.607	716.641
Total	27.960	527.074	161.607	716.641

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

31 December 2015	Financial Assets at Fair Value through P/L (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
Baa3(*)	30.507	638.915	-	669.422
Total	30.507	638.915	-	669.422

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

d. Information on rating concentration:

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

	31 December 2016	31 December 2015
Above average (%)	8,12	10,57
Average (%)	67,53	67,23
Below average (%)	22,48	20,94
Not rated (%)	1,87	1,26

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II. EXPLANATIONS ON CREDIT RISK (Continued):

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

31 December 2016	Corporate Loans	Consumer Loans	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Loans under close monitoring	271.606	9.398	88	-	-	281.092
Non-performing loans	97.476	1.097	213	10.436	1.268	110.490
Total	369.082	10.495	301	10.436	1.268	391.582

31 December 2015	Corporate Loans	Consumer Loans	Credit Cards	Leasing Receivables	Factoring Receivables	Total
Loans under close monitoring	325.021	3.986	494	5.513	1.691	336.705
Non-performing loans	88.943	6	384	12.170	1.793	103.296
Total	413.964	3.992	878	17.683	3.484	440.001

Type of Collaterals	31 December 2016	31 December 2015
Real-estate mortgage	364.353	131.607
Pledge	23.353	71.446
Cash and cash equivalents	3.876	35.444
Total	391.582	238.497

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II. EXPLANATIONS ON CREDIT RISK (Continued):

f. Profile of significant exposures in major regions:

	Exposure Categories (*)																Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		17
31 December 2016																		
Domestic	2.044.031	-	952	-	-	591.440	8.978.541	208.234	3.759.130	132.661	-	-	-	-	-	-	336.063	16.051.052
EU Countries	-	-	-	-	-	597.940	260	37	1	-	-	-	-	-	-	-	-	598.238
OECD Countries (**)	-	-	-	-	-	673	-	-	-	-	-	-	-	-	-	-	-	673
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	4.829	101.886	497	-	-	-	-	-	-	-	-	-	107.212
Other Countries	-	-	-	-	-	1.245	3.701	15	-	-	-	-	-	-	-	-	-	4.961
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2.044.031	-	952	-	-	1.196.127	9.084.388	208.783	3.759.131	132.661	-	-	-	-	-	-	336.063	16.762.136

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

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

	Exposure Categories (*)																Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
31 December 2015																	
Domestic	1.762.665	-	6	-	-	251.758	6.676.780	190.053	2.928.924	103.512	70.372	-	-	-	-	252.620	12.236.690
EU Countries	-	-	-	-	-	434.453	11.736	154	-	-	26	-	-	-	-	-	446.369
OECD Countries (**)	-	-	-	-	-	9.027	-	-	-	-	-	-	-	-	-	-	9.027
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	95.828	54.819	12	-	216	-	-	-	-	-	-	150.875
Other Countries	-	-	-	-	-	1.206	6.434	875	1.392	-	-	-	-	-	-	-	9.907
Associates, Subsidiaries and Joint –Ventures																	-
Unallocated Assets/Liabilities																	-
Total	1.762.665	-	6	-	-	792.272	6.749.769	191.094	2.930.316	103.728	70.398	-	-	-	-	252.620	12.852.868

1. Conditional and unconditional exposures to central governments or central banks
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12. Exposures in the form of bonds secured by mortgages
13. Securitization Positions
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15. Exposures in the form of collective investment undertakings
16. Stock Exchange
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(*) Includes exposure categories in the Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

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

II. EXPLANATIONS ON CREDIT RISK (Continued):

g. Risk profile according to sectors and counterparties:

	Exposure Categories (*)																TL	FC	Total		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				17	
Agriculture	-	-	-	-	-	-	42.656	1.251	7.645	7.101	-	-	-	-	-	-	-	31.731	26.922	58.653	
Farming and Stockbreeding	-	-	-	-	-	-	32.275	740	2.519	7.101	-	-	-	-	-	-	-	22.125	20.510	42.635	
Forestry	-	-	-	-	-	-	33	-	119	-	-	-	-	-	-	-	-	152	-	152	
Fishery	-	-	-	-	-	-	10.348	511	5.007	-	-	-	-	-	-	-	-	9.454	6.412	15.866	
Manufacturing	-	-	5	-	-	-	2.924.685	18.259	709.919	51.763	-	-	-	-	-	-	-	1.089.208	2.615.423	3.704.631	
Mining and Quarrying	-	-	5	-	-	-	277.581	457	77.171	5.746	-	-	-	-	-	-	-	111.756	249.204	360.960	
Production	-	-	-	-	-	-	2.110.299	17.787	601.849	45.919	-	-	-	-	-	-	-	952.994	1.822.860	2.775.854	
Electricity, Gas and Water	-	-	-	-	-	-	536.805	15	30.899	98	-	-	-	-	-	-	-	24.458	543.359	567.817	
Construction	-	-	-	-	-	-	2.448.820	8.208	1.458.525	16.162	-	-	-	-	-	-	-	1.178.378	2.753.337	3.931.715	
Services	-	-	1	-	-	-	1.196.127	3.448.010	29.402	1.485.578	55.512	-	-	-	-	-	-	2.054.704	4.159.926	6.214.630	
Wholesale and Retail Trade	-	-	-	-	-	-	1.584.120	22.524	447.204	43.223	-	-	-	-	-	-	-	796.194	1.300.877	2.097.071	
Hotel, Food and Beverage services	-	-	-	-	-	-	259.967	1.194	671.635	2.642	-	-	-	-	-	-	-	56.665	878.773	935.438	
Transportation and Telecom	-	-	-	-	-	-	362.416	1.457	147.463	1.481	-	-	-	-	-	-	-	209.813	303.004	512.817	
Financial Institutions	-	-	-	-	-	-	1.196.127	729.122	657	42.093	-	-	-	-	-	-	-	885.932	1.082.067	1.967.999	
Real Estate and Rental Services	-	-	-	-	-	-	424.703	1.295	153.117	979	-	-	-	-	-	-	-	44.237	535.857	580.094	
Self-employment Services	-	-	-	-	-	-	6.542	475	5.923	1.481	-	-	-	-	-	-	-	13.917	504	14.421	
Educational Services	-	-	1	-	-	-	15.441	362	453	3.693	-	-	-	-	-	-	-	10.369	9.581	19.950	
Health and Social Services	-	-	-	-	-	-	65.699	1.438	17.690	2.013	-	-	-	-	-	-	-	37.577	49.263	86.840	
Other	2.044.031	-	946	-	-	-	220.217	151.663	97.464	2.123	-	-	-	-	-	-	-	336.063	1.301.195	1.551.312	2.852.507
Total	2.044.031	-	952	-	-	-	1.196.127	9.084.388	208.783	3.759.131	132.661	-	-	-	-	-	-	336.063	5.655.216	11.106.920	16.762.136

1. Conditional and unconditional exposures to central governments or central banks
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16. Stock Exchange
17. Other receivables

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

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(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

Risk classifications	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Claims on sovereigns and Central Banks	121.197	30.531	60.525	63.611	476.152
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	300	652	-	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	587.145	223.191	97.854	4.770	266.172
Claims on corporates	1.485.358	691.206	892.897	1.032.593	4.982.034
Claims included in the regulatory retail portfolios	23.632	6.789	9.694	23.525	145.142
Claims secured by residential property	143.423	90.011	126.755	208.150	3.190.793
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	2.361.055	1.042.380	1.187.725	1.332.649	9.060.293

i. Information about the risk exposure categories:

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

j. Exposures by risk weights:

Risk Weights	0%	20%	35%	50%	75%	100%	150%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	656.263	304.491	525.856	4.893.230	209.910	10.152.857	19.529	835
2. Exposures after Credit Risks Mitigation(*)	1.095.117	345.958	523.511	4.606.859	198.051	9.973.110	19.530	835

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

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(Continued)**

II. EXPLANATIONS ON CREDIT RISK (Continued):

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

Major Sectors / Counterparties	Credits		Value Adjustments	Provisions
	Impaired Credits	Past Due Credits		
Agriculture	11.166	6.692	60	4.065
Farming and Stockbreeding	10.578	5.533	49	3.477
Forestry	532	131	1	532
Fishery	56	1.028	10	56
Manufacturing	112.370	333.861	2.558	60.607
Mining and Quarrying	17.380	7.185	55	11.634
Production	94.793	322.468	2.503	48.874
Electricity, Gas and Water	197	4.208	-	99
Construction	39.752	258.026	1.753	23.590
Services	108.815	460.012	2.197	53.303
Wholesale and Retail Trade	90.784	70.217	639	47.561
Accommodation and Dining	3.404	295.369	1.301	762
Transportation and Telecom	3.083	71.267	81	1.602
Financial Institutions	15	2.000	20	15
Real Estate and Rental Services	1.492	7.991	49	513
Professional Services	2.120	1.155	9	639
Educational Services	4.978	526	5	1.285
Health and Social Services	2.939	11.487	93	926
Other	5.932	35.710	500	3.809
Total	278.035	1.094.301	7.068	145.374

l. Information about Value Adjustment and Change in Provisions:

	Opening Balance	Provision for Period	Write off from Asset	Other Adjustments(*)	Closing Balance
1. Specific Provisions (**)	168.844	109.749	(40.176)	(62.920)	175.497
2. General Provisions	77.497	9.378	(2.221)	5.591	90.245

(*)TL 69.445 TL shown in Other Adjustments column for "Specific Provisions" consists of released loan loss provision upon sale of Non Performing Loans to Mega VarlıkYönetimi A.Ş. on 28 June 2016. Other Adjustments column consists of exchange rate differences of provisions in foreign currencies.

(**) Also includes special and free provisions for non-cash loans that are classified as non-performing loans.

m. Risks Included in Cyclical Capital Buffer Calculation :

None.

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

III. EXPLANATIONS ON RISK MANAGEMENT:

Risk Management Approach and Risk Weighted Amounts

a. Risk Management Approach of the Group:

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

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

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

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

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

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

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

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(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

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

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

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

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(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

4. Main components and scope of Risk measurement systems:

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

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

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

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

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

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

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

6. Disclosures on Stress Test:

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

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

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

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

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

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

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

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

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

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

b. Overview of risk weighted amounts

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

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

1. Overview of RWA

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	Prior Period	Current Period
		31 December 2016	31 December 2015	31 December 2016
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	12.479.832	9.359.687	998.386
2	Standardised approach (SA)	12.479.832	9.359.687	998.386
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	317.260	32.911	25.381
5	Standardised approach for counterparty credit risk (SA-CCR)	317.260	32.911	25.381
6	Internal Model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-
16	Market risk	98.580	170.538	7.886
17	Standardised approach (SA)	98.580	170.538	7.886
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	657.901	533.188	52.632
20	Basic indicator approach	657.901	533.188	52.632
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	13.553.573	10.096.324	1.084.285

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

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

c. Relationships between financial statements and risk amounts

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

	Carrying values of items in accordance with TAS						
	Valued amount according to TAS within legal consolidation	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital	Valued amount according to TAS within legal consolidation
Assets							
Cash and balances with the Central Bank	1.318.866	1.318.866	1.318.866	-	-	-	-
Trading Financial Assets	136.203	136.203	-	104.305	-	123.064	835
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Banks	338.108	338.108	338.108	-	-	-	-
Money Market Placements	17.110	17.110	16.690	420	-	-	-
Financial Assets Available-for-Sale (net)	539.155	539.155	539.155	314.305	-	-	-
Loans and Receivables	10.730.795	10.730.795	10.705.562	25.233	-	-	-
Factoring Receivables	827	827	827	-	-	-	-
Held-to-maturity investments (net)	161.607	161.607	161.607	161.607	-	-	-
Investment in Associates (net)	-	-	-	-	-	-	-
Investment in Subsidiaries (net)	-	-	-	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-	-
Lease Receivables	1.309.724	1.309.724	1.309.724	-	-	-	-
Derivative Financial Assets Held For Hedging	184.186	184.186	-	184.186	-	-	-
Property And Equipment (Net)	74.156	74.156	55.321	-	-	-	18.835
Intangible Assets (Net)	49.524	49.524	-	-	-	-	49.524
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	10.510	10.510	2.220	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.511	45.511	44.959	-	-	-	552
Other Assets	177.863	177.863	177.863	-	-	-	-
Total assets	15.094.145	15.094.145	14.670.902	790.056	-	123.064	69.746
Liabilities							
Deposits	8.248.669	8.248.669	-	-	-	-	8.248.669
Derivative Financial Liabilities Held For Trading	150.839	150.839	-	131.864	-	89.027	18.975
Funds Borrowed	3.446.108	3.446.108	-	-	-	-	3.446.108
Money Markets	496.048	496.048	-	393.008	-	-	103.040
Marketable Securities Issued	49.288	49.288	-	-	-	-	49.288
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	259.443	259.443	-	-	-	-	259.443
Other Liabilities	67.278	67.278	-	-	-	-	67.278
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	29.486	29.486	-	-	-	-	29.486
Provisions	158.734	158.734	-	-	-	-	158.734
Tax Liability	38.216	38.216	-	-	-	-	38.216
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	1.057.478	1.057.478	-	-	-	-	1.057.478
Shareholder’s Equity	1.092.558	1.092.558	-	-	-	-	1.092.558
Total Liabilities	15.094.145	15.094.145	-	524.872	-	89.027	14.569.273

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

		Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	15.584.022	14.670.902	790.056	-	123.064
2	Liabilities carrying value amount under regulatory scope of consolidation	(613.899)	-	-	(524.872)	(89.027)
3	Total net amount under regulatory scope of consolidation	14.970.123	14.670.902	-	265.184	34.037
4	Off-Balance Sheet Amounts	1.267.677	1.267.677	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	622.916	38.757	-	519.616	64.543
9	Differences due to risk reduction	-	-	-	-	-
10	Risk Amounts	16.860.716	15.977.336	-	784.800	98.580

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

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

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

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

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

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

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

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

d. Credit Risk Disclosures

1. General Qualitative Information on Credit Risk

(i) Conversion of Bank's business model to components of credit risk profile

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

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

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

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

(iii) Structure and organization of credit risk management and control function

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

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

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

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

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

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

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

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

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Credit quality of assets

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	Defaulted exposures	Non-defaulted exposures		
1	Loans	278.035	10.598.961	232.817	10.644.179
2	Debt Securities	-	721.092	770	720.322
3	Off-balance sheet exposures	18.806	2.403.788	5.370	2.417.224
4	Total	296.841	13.723.841	238.957	13.781.725

3. Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at the end of the previous reporting period	259.462
2	Loans and debt securities that have defaulted since the last reporting period	172.911
3	Returned to non-defaulted status	-
4	Amounts written off	70.950
5	Other changes	(64.582)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	296.841

4. Additional disclosures related to credit quality of assets:

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

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

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

None.

iii. Descriptions of methods used while determining provision amounts:

Specific provision amounts are determined in accordance with “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) and collaterals are also based on rated mentioned in aforementioned Communiqué.

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

iv. Descriptions of restructured receivables:

Credits and other receivables can be restructured, through providing additional credit, if required, or linked to a repayment schedule in order to provide collection of receivable of the bank and provide liquidity capacity to debtor if the non-fulfillment of liabilities related to credits and other receivables is sourcing from temporary liquidity deficiency in accordance with Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”).

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

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

31 December 2016		Total
1	Domestic	12.644.245
2	European Union Countries	67.977
3	OECD Countries **	-
4	Off-shore Banking Regions	-
5	USA, Canada	-
6	Other Countries	1.636
7	Associates, Subsidiaries and Jointly Controlled Entities	-
8	Unallocated Assets / Liabilities ***	-
9	Total	12.713.858

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

31 December 2016		Total
1	Agriculture	55.372
2	Farming and Stockbreeding	39.496
3	Forestry	131
4	Fishery	15.745
5	Manufacturing	3.590.383
6	Mining and Quarrying	467.344
7	Production	2.574.029
8	Electricity, Gas and Water	549.010
9	Construction	3.991.816
10	Services	4.630.629
11	Wholesale and Retail Trade	1.675.677
12	Accommodation and Dining	898.931
13	Transportation and Telecom	432.357
14	Financial Institutions	961.480
15	Real Estate and Rental Services	555.574
16	Professional Services	17.080
17	Educational Services	15.698
18	Health and Social Services	73.832
19	Other	445.658
20	Total	12.713.858

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

31 December 2016	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
Cash and Non-cash Loans	2.404.688	1.863.661	2.448.770	4.615.011	1.249.067	132.661	12.713.858

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

Geographical and sectoral breakdowns of Impaired and overdue receivables and provisions made for those receivables and value adjustments are included in IV. Part II.k section and all amounts included in this table are domestic. Provision amount written-off from assets is TL 69.445 during the period and aforementioned amount belongs to domestic receivables. 40% of amounts written-off from assets are related to wholesale and retail trade, 34% of amounts are related to production industry and 20% of amounts are related to other sectors.

	31 December 2016	Non Performing Loan	Special Provision
1 Agriculture		11.166	4.065
2 Farming and Stockbreeding		10.578	3.477
3 Forestry		532	532
4 Fishery		56	56
5 Manufacturing		112.370	60.607
6 Mining and Quarrying		17.380	11.634
7 Production		94.793	48.874
8 Electricity, Gas and Water		197	99
9 Construction		39.752	23.590
10 Services		108.815	53.304
11 Wholesale and Retail Trade		90.784	47.561
12 Accommodation and Dining		3.404	762
13 Transportation and Telecom		3.083	1.602
14 Financial Institutions		15	15
15 Real Estate and Rental Services		1.492	513
16 Professional Services		2.120	639
17 Educational Services		4.978	1.285
18 Health and Social Services		2.939	927
19 Other		5.932	3.808
20 Total		278.035	145.374

vii. Ageing analysis for overdue receivables.

Ageing analysis for overdue receivables are included in IV. Part II.b section.

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

Specific and general provision are made for restructured receivables and free provision is made for miscellaneous risks, if required, in scope of Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) and there is no situation in which no provision is made.

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

e. Credit Risk Mitigation

1. Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

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

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

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

2. Credit risk mitigation techniques

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	6.803.420	3.840.759	2.821.790	1.470	1.470	-	-
2	Debt Securities	720.322	-	-	-	-	-	-
3	Total	7.523.742	3.840.759	2.821.790	1.470	1.470	-	-
4	Of which defaulted	148.128	-	-	-	-	-	-

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

f. Credit Risk if the Standard Approach is used

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

Credit Risk if the Standard Approach is used

Bank uses grades of Fitch Credit Rating institution in credit risk standard approach calculations.

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

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

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

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

	On-balance sheet amount	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	1.906.772	-	1.925.056	-	705.694	36,7%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	626	60	626	12	638	100,0%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	498.060	129.093	528.960	101.805	328.451	52,1%
7	Exposures to corporates	7.941.469	1.912.556	7.935.862	1.048.653	8.553.089	95,2%
8	Retail exposures	187.251	76.399	186.209	22.298	148.668	71,3%
9	Exposures secured by residential property	514.092	30.645	513.639	11.600	183.291	34,9%
10	Exposures secured by commercial real estate	3.205.877	60.857	3.205.827	28.066	2.120.756	65,6%
11	Past-due loans	132.661	-	132.661	-	130.028	98,0%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	284.094	209.603	282.144	53.918	309.217	92,0%
17	Equity Investment	-	-	-	-	-	0,0%
18	Total	14.670.902	2.419.213	14.710.984	1.266.352	12.479.832	78,1%

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(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Exposures by asset classes and risk weights

	Asset classes/ Risk weight	0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	513.668	-	-	-	1.411.388	-	-	-	-	1.925.056
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	638	-	-	638
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	29.239	-	20.918	-	512.681	-	67.927	-	-	630.765
7	Exposures to corporates	99.401	-	255.799	-	260.116	-	8.363.855	5.344	-	8.984.515
8	Retail exposures	9.046	-	1.686	-	-	197.775	-	-	-	208.507
9	Exposures secured by residential property	1.418	-	310	523.511	-	-	-	-	-	525.239
10	Exposures secured by commercial real estate	22.985	-	3.276	-	2.175.063	-	1.032.569	-	-	3.233.893
11	Past-due loans	-	-	-	-	19.453	-	99.022	14.186	-	132.661
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-
17	Other receivables	26.845	-	-	-	-	-	309.217	-	-	336.062
18	Total	702.602	-	281.989	523.511	4.378.701	197.775	9.873.228	19.530	-	15.977.336

g. Disclosures regarding Counterparty Credit Risk

1. Qualitative Disclosures on Counterparty Credit Risk

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

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

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(Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

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

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

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

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

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

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

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

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

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

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

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

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

iv. Rules with respect to Counter-trend risk

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

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

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

2. Assessment of Counterparty Credit Risk according to the models of measurement

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR				1,4		
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation					784.800	387.895
4	Comprehensive Method for Credit Risk Mitigation						
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	Total						387.895

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

3. Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (including 3*multiplier)		
2	(ii) Stressed Value at Risk (including 3*multiplier)		
3	All portfolios subject to Standardised CVA capital obligation	784.800	87.737
4	Total amount of CVA capital adequacy	784.800	87.737

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

Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk
Central governments and central banks receivables	118.975	-	-	-	-	-	-	-	118.975
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	314	-	-	314
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	273.489	-	63.969	227.904	-	-	-	-	565.362
Corporate receivables	51	-	-	254	-	99.568	-	-	99.873
Retail receivables	-	-	-	-	276	-	-	-	276
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	392.515	-	63.969	228.158	276	99.882	-	-	784.800

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

5. Composition of collateral for CCR exposure

	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	239.769	-
Cash - Foreign Currency	-	-	-	-	184.948	-
Government Bonds-Domestic	-	-	-	-	457	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	7.991	-
Other Guarantees	-	-	-	-	-	240
Total	-	-	-	-	433.165	240

6. Credit derivatives: None.

7. Risks to Central Counterparty: The Bank is exposed to a minimal risk of center counterparty on consolidated basis within the scope of the products offered by Burgan Yatırım A.Ş. to customers. For center counterparty risk, an alternative method is used to calculate capital liabilities for commercial risks and guarantee fund amounts.

		Exposure at default (post-CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs) (total)		2.561
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC Derivatives		
4	(ii) Exchange-traded Derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)		
13	(i) OTC Derivatives		
14	(ii) Exchange-traded Derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

8. Securitization disclosures: None.

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III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

Disclosures on Market Risk

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

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

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

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

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

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

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

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

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

Risk parameters include different type of limits such as foreign currency position limit, nominal, maturity, foreign exchange breakdowns related to bond portfolio, value at risk limits, limits related to interest rate, option vega limits and stoploss limits determined for trading portfolio.

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THE GROUP (Continued)**

III. EXPLANATIONS ON RISK MANAGEMENT (Continued):

2. Market risk under standardised approach

		Risk Weighted Asset
	Outright products	
1	Interest rate risk (general and specific)	49.057
2	Equity risk (general and specific)	-
3	Foreign exchange risk	49.160
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	363
7	Scenario approach	-
8	Securitisation	-
9	Total	98.580

IV. EXPLANATIONS ON OPERATIONAL RISK:

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Approach" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28 June 2012. The operational risk capital requirement dated 31 December 2016 was calculated using the year 2013, 2014, 2015 revenues.

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

	2 Prior Period	1 Prior Period	Current Period value	Total / Total number of years for which gross	Rate (%)	Total
Gross Income	37.087	52.361	68.449	3	15	52.632
Amount subject to operational risk (Total*12,5)						657.901

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK:

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

A series of limits for the tenure of spot and forward foreign exchange positions is set in the risk parameters section of the budget approved by the Board of Directors annually. There is a conservative foreign currency position management policy in the Group due to the free floating currency regime.

The Parent Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date:

	EUR		USD	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
31 December 2016 / 31 December 2015				
Bid rate	TL 3,7099	TL 3,1838	TL 3,5192	TL 2,9181
1. Day bid rate	TL 3,7099	TL 3,1838	TL 3,5192	TL 2,9181
2. Day bid rate	TL 3,6939	TL 3,1776	TL 3,5318	TL 2,9076
3. Day bid rate	TL 3,6901	TL 3,1921	TL 3,5329	TL 2,9084
4. Day bid rate	TL 3,6711	TL 3,2006	TL 3,5135	TL 2,9157
5. Day bid rate	TL 3,6639	TL 3,1904	TL 3,5041	TL 2,9123

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

	EUR		USD	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Arithmetic average-30 days	TL 3,6848	TL 3,1802	TL 2,4950	TL 2,9186

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

V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):

Information on currency risk of the Group:

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

	EUR	USD	Other FC	Total
31 December 2016				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	5.417	1.150.828	1.366	1.157.611
Due From Banks	42.289	194.023	6.580	242.892
Financial Assets at Fair Value Through Profit or Loss (*)	27.486	19.578	926	47.990
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	168.612	-	168.612
Loans (*)	3.713.214	3.222.573	7.860	6.943.647
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-Maturity Investments	-	161.607	-	161.607
Hedging Derivative Financial Assets	138	7.802	-	7.940
Tangible Assets	-	1.590	-	1.590
Intangible Assets	-	1.059	-	1.059
Other Assets	676.178	426.711	-	1.102.889
Total Assets	4.464.722	5.354.383	16.732	9.835.837
Liabilities				
Bank Deposits	447	5.108	-	5.555
Foreign Currency Deposits	1.766.584	3.531.834	97.212	5.395.630
Funds From Interbank Money Market	-	185.428	-	185.428
Funds Borrowed From Other Financial Institutions	1.141.394	3.263.619	-	4.405.013
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	138.509	67.766	17	206.292
Hedging Derivative Financial Liabilities	1.551	407	-	1.958
Other Liabilities (*)	16.031	16.041	486	32.558
Total Liabilities	3.064.516	7.070.203	97.715	10.232.434
Net On-balance Sheet Position	1.400.206	(1.715.820)	(80.983)	(396.597)
Net Off-balance Sheet Position	(1.357.925)	1.558.575	81.299	281.949
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	1.987.518	72.216	4.459.155
Non-Cash Loans (**)	464.496	736.527	46.516	1.247.539
31 December 2015				
Total Assets (*)	2.820.654	4.522.491	39.907	7.383.052
Total Liabilities (*)	1.541.273	6.341.765	35.582	7.918.620
Net On-balance Sheet Position	1.279.381	(1.819.274)	4.325	(535.568)
Net Off-balance Sheet Position	(1.272.953)	1.853.617	(2.978)	577.686
Financial Derivative Assets	688.571	3.412.745	79.103	4.180.419
Financial Derivative Liabilities	1.961.524	1.559.128	82.081	3.602.733
Non-Cash Loans (**)	320.947	570.585	20.951	912.483

(*)The above table shows the Bank’s foreign currency net position based on main currencies. Foreign currency indexed assets, classified as Turkish Lira assets in the financial statements according to the Uniform Chart of Accounts, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. Due to this, foreign currency indexed loans amounting to TL 878.488 (31 December 2015: TL 784.445) classified as Turkish Lira assets in the 31 December 2016 financial statements are added to the table above and there is no foreign currency indexed loans received in the current period (31 December 2015: None). Besides these, in assets “Income Accruals of Derivative Financial Instruments” amounting to TL 3.769 (31 December 2015: TL 4.530), in liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 9.622 (31 December 2015: TL 6.189), “General Provisions” amounting to TL 53.785 (31 December 2015: TL 38.816), free provisions amounting to TL 19.721 (31 December 2015: TL 20.436) and “Marketable Securities Valuation Reserve” with “Hedging Derivative Financials” amounting to TL (5.014) (31 December 2015: TL (857)) are not included in the table above.

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

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V. EXPLANATIONS ON CURRENCY RISK (Continued):

Currency risk sensitivity analysis:

If foreign currency appreciated/depreciated against TL at a ratio of 10% and all other variables remain fixed as of December 31, 2016 and 2015, changes, which shall occur in net profit and equity regardless of tax effect due to exchange rate loss/profit sourcing from foreign currency net monetary position, are as follows:

	31 December 2016				31 December 2015			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	(15.725)	15.725	(16.226)	16.226	3.434	(3.434)	3.349	(3.349)
EUR	4.228	(4.228)	4.228	(4.228)	643	(643)	643	(643)
Other currency units	32	(32)	32	(32)	135	(135)	135	(135)
Total, net	(11.465)	11.465	(11.966)	11.966	4.212	(4.212)	4.127	(4.127)

(*) Equity effect also includes income table effects.

VI. EXPLANATIONS ON INTEREST RATE RISK:

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

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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

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

31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.095.882	-	-	-	-	222.984	1.318.866
Due From Banks	259.365	59.995	-	-	-	18.748	338.108
Financial Assets at Fair Value Through Profit/Loss (*)	44.644	100.055	154.126	12.317	9.247	-	320.389
Interbank Money Market Placements	17.110	-	-	-	-	-	17.110
Available-for-Sale Financial Assets	63.505	120.012	59.919	191.684	92.465	11.570	539.155
Loans	5.460.313	1.485.440	1.710.650	1.805.466	137.091	132.662	10.731.622
Held-to-Maturity Investments	-	-	-	74.975	86.632	-	161.607
Other Assets	54.382	58.533	248.033	856.893	91.883	357.564	1.667.288
Total Assets	6.995.201	1.824.035	2.172.728	2.941.335	417.318	743.528	15.094.145
Liabilities							
Bank Deposits	50.023	-	-	-	-	6.772	56.795
Other Deposits	5.144.462	2.167.616	424.968	280	-	454.548	8.191.874
Funds From Interbank Money Market	311.883	112.877	71.288	-	-	-	496.048
Miscellaneous Payables	-	-	-	-	-	259.443	259.443
Marketable Securities Issued	-	49.288	-	-	-	-	49.288
Funds Borrowed From Other Financial Institutions	521.864	3.240.198	738.845	2.679	-	-	4.503.586
Other Liabilities (*)(**)	77.546	28.815	32.335	40.056	1.545	1.356.814	1.537.111
Total Liabilities	6.105.778	5.598.794	1.267.436	43.015	1.545	2.077.577	15.094.145
Balance Sheet Long Position	889.423	-	905.292	2.898.320	415.773	-	5.108.808
Balance Sheet Short Position	-	(3.774.759)	-	-	-	(1.334.049)	(5.108.808)
Off-balance Sheet Long Position	472.094	530.325	581.813	-	-	-	1.584.232
Off-balance Sheet Short Position	-	-	-	(1.436.608)	(52.217)	-	(1.488.825)
Total Position	1.361.517	(3.244.434)	1.487.105	1.461.712	363.556	(1.334.049)	95.407

(*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 184.186 and other liabilities includes hedging derivative financial liabilities amounting to TL 29.486 classified to a related re-pricing periods.

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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

31 December 2015	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.013.000	-	-	-	-	81.075	1.094.075
Due From Banks	177.502	-	-	-	-	17.631	195.133
Financial Assets at Fair Value Through Profit/Loss	59.470	7.951	29.457	45.202	4.788	3.865	150.733
Interbank Money Market Placements	22.195	-	-	-	-	-	22.195
Available-for-Sale Financial Assets	113.212	114.493	13.385	52.450	348.223	11.567	653.330
Loans	2.859.165	2.424.689	1.681.745	1.178.093	19.052	103.728	8.266.472
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets	58.911	38.827	179.887	583.511	67.585	262.458	1.191.179
Total Assets	4.303.455	2.585.960	1.904.474	1.859.256	439.648	480.324	11.573.117
Liabilities							
Bank Deposits	43.249	-	-	-	-	7.097	50.346
Other Deposits	3.596.935	2.213.315	239.871	57.956	-	453.088	6.561.165
Funds From Interbank Money Market	438.077	-	-	-	-	-	438.077
Miscellaneous Payables	-	-	-	-	-	159.222	159.222
Marketable Securities Issued	-	49.255	-	-	-	-	49.255
Funds Borrowed From Other Financial Institutions	235.265	2.121.453	597.746	6.677	-	-	2.961.141
Other Liabilities (*)	65.512	7.318	16.881	1.731	-	1.262.469	1.353.911
Total Liabilities	4.379.038	4.391.341	854.498	66.364	-	1.881.876	11.573.117
Balance Sheet Long Position	-	-	1.049.976	1.792.892	439.648	-	3.282.516
Balance Sheet Short Position	(75.583)	(1.805.381)	-	-	-	(1.401.552)	(3.282.516)
Off-balance Sheet Long Position	-	-	-	30.119	-	-	30.119
Off-balance Sheet Short Position	(10.380)	(14.314)	(3.549)	(1.972)	-	-	(30.215)
Total Position	(85.963)	(1.819.695)	1.046.427	1.821.039	439.648	(1.401.552)	(96)

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

Interest rate sensitivity analysis :

Change in interest rate 31 December 2016	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(892)	(14.022)
(-) %1	953	14.022

Change in interest rate 31 December 2015	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(906)	(21.145)
(-) %1	921	21.145

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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

b. Average interest rates for monetary financial instruments:

Below the average interest rates are calculated by weighting the simple rates with their principals.

31 December 2016	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,75	-	3,31
Due From Banks	0,01	0,55	-	11,29
Financial Assets at Fair Value Through Profit/Loss	4,79	7,90	-	8,82
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,23
Loans	4,92	6,20	-	15,13
Held-to-Maturity Investments	-	5,96	-	-
Liabilities				
Bank Deposits	-	-	-	8,16
Other Deposits (*)	1,97	3,31	-	11,01
Funds From Interbank Money Market	-	2,27	-	8,27
Miscellaneous Payables	-	-	-	11,25
Marketable Securities Issued	-	-	-	13,69
Funds Borrowed From Other Financial Institutions	1,99	3,59	-	9,47

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

31 December 2015	EUR	USD	Yen	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,49	-	3,81
Due From Banks	-	0,36	-	10,90
Financial Assets at Fair Value Through Profit/Loss	-	5,75	-	8,54
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,86	-	9,39
Loans	4,96	5,84	-	15,56
Held-to-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	0,28	3,49	-	0,18
Other Deposits (*)	1,47	2,48	-	11,87
Funds From Interbank Money Market	-	1,46	-	6,38
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	12,95
Funds Borrowed From Other Financial Institutions	2,56	3,00	-	10,37

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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):

c. Interest rate risk resulting from banking accounts:

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

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

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

2. The table below presents the economic value differences resulting from fluctuations in interest rates in accordance with the "Regulation on Measurement and Evaluation of Interest Rate Risk resulting from Banking Accounts with Standard Shock Method" under sections divided into different currencies.

Currency	Applied Shock (+/- x basis point)	Earnings/ Losses	Earnings/ Equities-Losses/ Equities
1. TRY	+500 bp	(70.676)	(3,3) %
2. TRY	-400 bp	64.903	3,0%
3. EURO	+200 bp	334	-
4. EURO	-200 bp	108	-
5. USD	+200 bp	(37.115)	(1,7) %
6. USD	-200 bp	33.130	1,5%
Total (For Negative Shocks)		98.142	4,6%
Total (For Positive Shocks)		(107.458)	(5,0) %

VII. EXPLANATIONS ON THE CONSOLIDATED SHARE CERTIFICATE POSITION RISK:

None.

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VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK:

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

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

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

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

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

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

Firstly, the Parent Bank and subsidiaries subject to consolidation are responsible to be in accord with the minimum liquidity restrictions that are set by legislation and consolidated and unconsolidated liquidity restrictions that is determined in the Bank’s Liquidity Risk Policy There should be no excess in liquidity limits in accordance with the Bank’s policy. Acceptation of current risk level, reduction or termination of activities causing to risk are evaluated for the risk which are not reduced. The actions, which shall be taken if there is an excess in the legal and internal limits, are detailed in Liquidity Risk Policy of the Bank. Overflow which is formed in liquidity ratios tracked according to legal limitations is eliminated in the period which is also determined by legal legislation.

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VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

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

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

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

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

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VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

Liquidity Coverage Ratio:

31 December 2016		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			1.099.734	808.933
2	Retail and Small Business Customers Deposits	4.924.797	2.766.517	472.368	276.652
3	Stable deposits	402.240	-	20.112	-
4	Less stable deposits	4.522.557	2.766.517	452.256	276.652
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.450.021	1.649.165	1.204.964	749.132
6	Operational deposits	968.513	763.732	242.128	190.933
7	Non-Operational Deposits	1.172.483	766.033	653.811	438.799
8	Other Unsecured Funding	309.025	119.400	309.025	119.400
9	Secured funding			11.463	11.463
10	Other Cash Outflows	68.027	120.238	68.027	120.238
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	68.027	120.238	68.027	120.238
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.099.187	1.136.828	242.700	138.246
16	TOTAL CASH OUTFLOWS			1.999.522	1.295.731
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.155.475	369.360	714.333	288.185
19	Other contractual cash inflows	6.389	108.991	6.389	108.991
20	TOTAL CASH INFLOWS	1.161.864	478.351	720.722	397.176
				Upper Bound Applied Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS			1.099.734	808.933
22	TOTAL NET CASH OUTFLOWS			1.278.800	898.555
23	Liquidity Coverage Ratio (%)			86,00	90,03

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

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VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

31 December 2015		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			967.908	670.640
2	Retail and Small Business Customers Deposits	3.872.370	2.728.000	236.820	169.515
3	Stable deposits	3.008.360	2.065.700	150.418	103.285
4	Less stable deposits	864.010	662.300	86.402	66.230
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.460.400	1.806.836	1.297.313	911.825
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	2.111.969	1.637.198	949.188	742.187
8	Other Unsecured Funding	348.431	169.638	348.125	169.638
9	Secured funding			16.749	16.749
10	Other Cash Outflows	32.563	191.888	32.563	191.888
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	32.563	191.888	32.563	191.888
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	1.866.583	968.105	197.672	105.653
16	TOTAL CASH OUTFLOWS			1.781.117	1.395.630
CASH IN FLOWS					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	767.474	175.068	443.493	132.697
19	Other contractual cash inflows	11.143	381.468	11.142	381.468
20	TOTAL CASH INFLOWS	778.617	556.536	454.635	514.165
				Upper Limit Applied Amounts	
21	TOTAL HIGH QUALITY LIQUID ASSETS			967.908	670.640
22	TOTAL NET CASH OUTFLOWS			1.326.482	881.465
23	Liquidity Coverage Ratio (%)			72,97	76,08

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

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VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

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

High quality liquid assets of the Parent Bank consist of accounts in Central Bank of Turkey at a ratio of 81% and securities issued by Undersecretariat of Treasury at a ratio of 13%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 23%, 54% and 7% respectively.

Fluctuations in foreign currency derivative transaction volumes, mainly in foreign currency swaps, can have an impact on foreign currency liquidity coverage rate although derivative transactions generate a lower level of net cash flow with respect to liquidity coverage rate.

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with “Regulation on Calculation of Liquidity Coverage Ratio of Banks” entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. As of 31 December 2016, information regarding aforementioned cash outflow are as follows:

Date Range	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
	FC	FC + TL
01 October 2016 – 31 December 2016	46.927	46.927

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with “Regulation on Calculation of Liquidity Coverage Ratio of Banks” published in Official Gazette dated 21 March 2014 and numbered 28948. As of 31 December 2016, liquidity coverage rates must be at least 50% for foreign currency assets and liabilities and at least 70% in total assets and liabilities. Dates and values of lowest and highest foreign currency and total consolidated liquidity coverage rates calculated monthly related to the last quarter and average rates are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC + TL	FC	FC + TL
Monthly Arithmetic Average (%)	117,93	88,45	68,25	83,53
Monthly	31 October 2016	30 November 2016	31 December 2016	31 December 2016

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VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

Breakdown of assets and liabilities according to their outstanding maturities:

31 December 2016	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (***)	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26.883	1.291.983	-	-	-	-	-	1.318.866
Due From Banks	18.748	259.365	59.995	-	-	-	-	338.108
Financial Assets at Fair Value Through Profit or Loss (*)	-	41.957	31.357	33.267	199.814	13.994	-	320.389
Interbank Money Market Placements	-	17.110	-	-	-	-	-	17.110
Available-for-Sale Financial Assets	-	-	30.465	122.912	281.743	92.465	11.570	539.155
Loans	-	1.190.853	1.687.404	2.063.305	4.408.861	1.248.538	132.661	10.731.622
Held-to-Maturity Investments	-	-	-	-	74.975	86.632	-	161.607
Other Assets (**)	-	75.170	61.262	268.045	884.177	93.682	284.952	1.667.288
Total Assets	45.631	2.876.438	1.870.483	2.487.529	5.849.570	1.535.311	429.183	15.094.145
Liabilities								
Bank Deposits	6.772	50.023	-	-	-	-	-	56.795
Other Deposits	454.548	5.144.462	2.167.616	424.968	280	-	-	8.191.874
Funds Borrowed From Other Financial Institutions	-	124.409	173.522	2.170.140	937.430	1.098.085	-	4.503.586
Funds From Interbank Money Market	-	310.619	-	-	129.576	55.853	-	496.048
Marketable Securities Issued	-	-	49.288	-	-	-	-	49.288
Miscellaneous Payables	-	137.829	5.110	-	-	-	116.504	259.443
Other Liabilities (*) (***)	-	162.261	24.172	47.363	54.862	1.545	1.246.908	1.537.111
Total Liabilities	461.320	5.929.603	2.419.708	2.642.471	1.122.148	1.155.483	1.363.412	15.094.145
Net Liquidity Gap	(415.689)	(3.053.165)	(549.225)	(154.942)	4.727.422	379.828	(934.229)	-
Net Off-balance sheet position	-	333.859	479.781	227.816	(92.288)	(566)	-	948.602
Financial Derivative Assets	-	2.845.074	1.835.788	574.212	671.041	105	-	5.926.220
Financial Derivative Liabilities	-	(2.511.215)	(1.356.007)	(346.396)	(763.329)	(671)	-	(4.977.618)
Non-cash Loans	-	1.213.835	176.257	385.465	206.150	529	-	1.982.236
31 December 2015								
Total Assets	86.874	2.445.233	1.641.329	2.130.661	3.843.578	1.177.865	247.577	11.573.117
Total Liabilities	460.185	4.355.341	2.442.017	1.171.264	1.434.063	454.832	1.255.415	11.573.117
Net Liquidity Gap	(373.311)	(1.910.108)	(800.688)	959.397	2.409.515	723.033	(1.007.838)	-
Net Off-balance sheet position	-	(8.216)	(24.211)	(13.178)	(43.907)	69	-	(89.443)
Financial Derivative Assets	-	2.420.093	1.154.880	713.830	340.179	117	-	4.629.099
Financial Derivative Liabilities	-	(2.428.309)	(1.179.091)	(727.008)	(384.086)	(48)	-	(4.718.542)
Non-cash Loans	-	896.694	137.512	360.042	149.091	816	-	1.544.155

(*) The 1-5 years maturity period of Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 184.186 and the 1-5 years maturity period of Other Liabilities includes hedging derivative financial liabilities amounting to TL 29.486.

(**) Assets that are necessary for banking activities, such as fixed and intangible assets, subsidiaries, associates, stationary stocks and account receivables from leasing are classified in this column.

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

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

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

Breakdown of financial liabilities according to their remaining contractual maturities:

31 December 2016	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	56.806	-	-	-	-	56.806
Funds borrowed from other financial institutions	5.610.737	2.185.214	431.684	312	-	8.227.947
Funds from money market	126.080	196.899	2.245.993	1.191.057	1.226.087	4.986.116
Payables to money market	310.718	-	-	129.753	55.923	496.394
Total	6.104.341	2.382.113	2.677.677	1.321.122	1.282.010	13.767.263

31 December 2015	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	50.347	-	-	-	-	50.347
Funds borrowed from other financial institutions	4.057.608	2.229.654	253.346	60.515	-	6.601.123
Funds from money market	69.275	232.545	947.010	1.458.582	507.209	3.214.621
Payables to money market	438.431	-	-	-	-	438.431
Total	4.615.661	2.462.199	1.200.356	1.519.097	507.209	10.304.522

Derivative instruments of group, counter-based maturity analysis:

31 December 2016	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	2.534.925	1.026.354	441.948	54.844	-	4.058.071
- Out	2.023.397	816.374	366.853	51.950	-	3.258.574
Interest rate derivatives:						
- Entry	7.419	2.797	8.606	9.179	2.324	30.325
- Out	6.906	2.331	8.336	12.600	1.438	31.611
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	223	1.785	558	837.236	-	839.802
- Out	-	11.100	44.001	818.424	-	873.525
Interest rate derivatives:						
- Entry	249	78	160	270	-	757
- Out	447	301	837	2.053	-	3.638
Total cash entry	2.542.816	1.031.014	451.272	901.529	2.324	4.928.955
Total cash out	2.030.750	830.106	420.027	885.027	1.438	4.167.348

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GROUP (Continued)**

VIII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued):

31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 months	Above 5 years	Total
Derivative instruments held for trading						
Exchange rate derivatives:						
- Entry	2.419.120	1.146.702	698.609	50.899	-	4.315.330
- Out	2.427.274	1.160.417	700.262	51.395	-	4.339.348
Interest rate derivatives:						
- Entry	915	7.751	15.221	12.060	117	36.064
- Out	821	7.142	13.481	10.755	48	32.247
Derivative instruments protection from risk						
Exchange rate derivatives:						
- Entry	-	402	-	277.220	-	277.622
- Out	-	11.284	12.415	319.077	-	342.776
Interest rate derivatives:						
- Entry	58	25	-	-	-	83
- Out	214	248	850	2.859	-	4.171
Total cash entry	2.420.093	1.154.880	713.830	340.179	117	4.629.099
Total cash out	2.428.309	1.179.091	727.008	384.086	48	4.718.542

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

IX. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO:

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

As of 31 December 2016, leverage ratio of the Group calculated from the arithmetic average of the three months is 6,28% (31 December 2015: 6,77%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet assets.

Disclosure of Leverage ratio template :

	31 December 2016 (*)	31 December 2015 (*)
Balance sheet assets		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	14.403.079	11.551.398
(Assets deducted from Core capital)	62.384	55.558
Total risk amount of balance sheet assets	14.340.695	11.495.840
Derivative financial assets and credit derivatives		
Cost of replenishment for derivative financial assets and credit derivatives	212.479	50.178
Potential credit risk amount of derivative financial assets and credit derivatives	82.983	41.649
Total risk amount of derivative financial assets and credit derivatives	295.462	91.827
Financing transactions secured by marketable security or commodity		
Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	-	-
Risk amount arising from intermediary transactions	-	-
Total risk amount of financing transactions secured by marketable security or commodity	-	-
Off-balance sheet transactions		
Gross notional amount of off-balance sheet transactions	3.071.949	2.521.389
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.071.949	2.521.389
Capital and total risk		
Core Capital	994.248	954.874
Total risk amount	17.708.106	14.109.057
Leverage ratio		
Leverage ratio	5,64%	6,77%

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

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

X. EXPLANATIONS ON HEDGE TRANSACTIONS:

As of 31 December 2016, The Group applies cash flow hedge accounting using interest swaps to hedge its FC deposits and other liabilities with an average maturity upto 3 months against interest rate fluctuations. The Group implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Hedging Funds", whereas the amount concerning ineffective parts is associated with income statement.

The swaps, of which carrying amount is TL 184.186 derivative financial assets (31 December 2015: TL 40.845) and TL 29.486 derivative financial liabilities (31 December 2015: TL 15.132), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 12.699 (31 December 2015: TL 9.216 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2015: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	180.399	27.528	(782)	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	3.787	1.958	22.697	-

(*) Includes TMS27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TAS 39, the accounting application is ended. In case of deterioration of 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 2015: None).

It is determined in the measurements carried out as of the date of 31 December 2016 that above mentioned cash flow hedging transactions are effective.

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GROUP (Continued)**

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

a. Financial Assets and Liabilities at their fair values:

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of the demand placements and deposits represents the amount to be paid upon request. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the Bank's current interest rates as of balance sheet date.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the Bank's current interest rates for fixed interest loans. For the loans with floating interest rates, it is assumed that the book value reflects the fair value.

The expected fair value of bank placements, money market placements and bank deposits are determined by calculating the discounted cash flows using the current market interest rates of similar assets and liabilities.

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

	Book Value		Fair Value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial Assets	11.787.602	10.065.857	13.604.319	10.167.342
Due from Money Market	17.110	22.195	17.110	22.195
Due from Banks	338.108	195.133	338.107	195.135
Available-for-Sale Financial Assets	539.155	653.330	539.155	653.330
Held-to-maturity Investments	161.607	-	162.239	-
Loans	10.731.622	9.195.199	12.547.708	9.296.682
Financial Liabilities	13.060.986	9.781.129	13.646.288	9.798.313
Bank Deposits	56.795	50.346	56.803	50.358
Other Deposits	8.191.874	6.561.165	8.202.580	6.565.462
Borrowings	4.503.586	2.961.141	5.078.174	2.973.734
Marketable Securities Issued	49.288	49.255	49.288	49.537
Miscellaneous Payables	259.443	159.222	259.443	159.222

b. Fair value hierarchy:

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

Aforesaid fair value hierarchy is determined as follows.

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

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GROUP (Continued)**

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

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

31 December 2016	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	31.898	265.912	-	297.810
Government Debt Securities	27.960	161.607	-	189.567
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	104.305	-	104.305
Other marketable securities	3.938	-	-	3.938
Available for Sale Financial Assets (*)	450.927	88.228	-	539.155
Share Certificates	-	11.568	-	11.568
Government Debt Securities	450.927	-	-	450.927
Other Marketable Securities	-	76.660	-	76.660
Hedging Derivative Financial Assets	-	184.186	-	184.186
Total Assets	482.825	538.326	-	1.021.151
Trading Derivative Financial Liabilities	-	150.839	-	150.839
Hedging Derivative Financial Liabilities	-	29.486	-	29.486
Total Liabilities	-	180.325	-	180.325

31 December 2015	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	37.773	72.115	-	109.888
Government Debt Securities	30.507	-	-	30.507
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	72.115	-	72.115
Other Marketable Securities	7.266	-	-	7.266
Available for Sale Financial Assets (*)	538.426	114.904	-	653.330
Share Certificates	-	11.567	-	11.567
Government Debt Securities	538.426	-	-	538.426
Other Marketable Securities	-	103.337	-	103.337
Hedging Derivative Financial Assets	-	40.845	-	40.845
Total Assets	576.199	227.864	-	804.063
Trading Derivative Financial Liabilities	-	76.316	-	76.316
Hedging Derivative Financial Liabilities	-	15.132	-	15.132
Total Liabilities	-	91.448	-	91.448

(*)As noted in the footnote VII-d, written down values of available for sale securities are reported if the such securities are not traded in the markets and if the fair market value of such securities cannot be determined for any reason. There is not any transfer between 1st and 2nd levels in the current year.

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

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

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XIII. EXPLANATIONS ON OPERATING SEGMENTS:

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

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

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade products, non-cash loans, foreign currency transaction services and other corporate banking services to corporate clients.

Treasury transactions include fixed income security investments, fund management, foreign currency transactions, money market transactions, derivative transactions and other related services.

Stated balance sheet and income statement items based on operating segments:

Prior period financial information is presented as at 31 December 2015 for balance sheet and income statements items.

	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified(*)	Total Operations of the Bank
31 December 2016					
Net Interest Income	40.263	286.380	41.131	52.419	420.193
Net Fees and Comissions	3.969	19.211	-	16.933	40.113
Commercial Profit/Loss	9.136	11.941	1.595	1.876	24.548
Other Operating Income	1.585	7.300	-	10.591	19.476
Operating Income	54.953	324.832	42.726	81.819	504.330
Operating Costs (-)	40.273	182.055	12.870	172.020	407.218
Net Operating Income	14.680	142.777	29.856	(90.201)	97.112
Dividend Income	-	-	-	627	627
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	14.680	142.777	29.856	(89.574)	97.739
Tax Provisions (-)	2.936	28.555	5.971	(11.396)	26.066
Net Profit / Loss	11.744	114.222	23.885	(78.178)	71.673
Segment Assets	691.560	10.724.366	1.811.177	1.609.700	14.836.803
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	257.342	257.342
Total Assets	691.560	10.724.366	1.811.177	1.867.042	15.094.145
Segments Liabilities	4.950.035	3.336.482	3.858.095	1.609.702	13.754.314
Unallocated Liabilities	-	-	-	1.339.831	1.339.831
Total Liabilities	4.950.035	3.336.482	3.858.095	2.949.533	15.094.145

(*) Other operates include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai.

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GROUP (Continued)**

XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):

		Corporate and Commercial Banking	Treasury	Other and Unclassified (*)	Total Operations of the Bank
31 December 2015 (**)	Retail Banking				
Net Interest Income	29.408	266.386	23.696	45.608	365.098
Net Fees and Comissions	1950	17089	-	26.515	45.554
Commercial Profit/Loss	3.177	8.168	16.824	4.519	32.688
Other Operating Income	1373	11401	-	6.573	19.347
Operating Income	35.908	303.044	40.520	83.215	462.687
Operating Costs (-)	29.475	198.943	9.944	155.939	394.301
Net Operating Income	6.433	104.101	30.576	(72.724)	68.386
Dividend Income	-	-	-	542	542
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
Profit Before Tax	6.433	104.101	30.576	(72.182)	68.928
Tax Provisions (-)	1.286	20.821	6.115	(11.463)	16.759
Net Profit / Loss	5.147	83.280	24.461	(60.719)	52.169
31 December 2015(**)					
Segment Assets	482.181	8.329.884	1.439.612	1.127.005	11.378.682
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	194.435	194.435
Total Assets	482.181	8.329.884	1.439.612	1.321.440	11.573.117
Segments Liabilities	3.691.540	2.951.980	2.653.260	1.127.003	10.423.783
Unallocated Liabilities	-	-	-	1.149.334	1.149.334
Total Liabilities	3.691.540	2.951.980	2.653.260	2.276.337	11.573.117

(*)Other operates include operations of Burgan Finansal Kiralama A.Ş., Burgan Yatırım Menkul Değerler A.Ş. which are consolidated as an affiliated partners of the Parent Bank and their affiliated partners Burgan Portföy Yönetimi A.Ş. and Burgan Wealth Limited Dubai.

(**)Prior period balances have been restated due to the change in table format.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Cash/Foreign currency	11.498	15.353	13.420	12.994
CBRT	149.757	1.142.258	134.468	933.193
Other	-	-	-	-
Total	161.255	1.157.611	147.888	946.187

2. Information on the account of the CBRT:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Demand Unrestricted Amount	149.757	224.976	134.468	197.171
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	917.282	-	736.022
Total	149.757	1.142.258	134.468	933.193

3. Information on reserve requirements:

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

The reserve rates for TL liabilities vary between 4% and 10,5% for TL deposits and other liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 11,5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 4% and 24% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2016 (31 December 2015: 5% and 25% for all foreign currency liabilities).

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

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

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

- As of 31 December 2016, none financial assets at fair value through profit or loss subject to repo transactions: None (31 December 2015:None).
- Positive differences related to trading derivative financial assets:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Forward Transactions	14.659	1.638	11.203	1.264
Swap Transactions	38.974	28.761	26.262	14.697
Futures Transactions	-	-	-	-
Options	588	19.685	133	18.556
Other	-	-	-	-
Total	54.221	50.084	37.598	34.517

c. Information on banks:

- Information on banks:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Banks				
Domestic	95.191	226.529	87.166	90.513
Foreign	25	16.363	-	17.454
Headquarters and Branches Abroad	-	-	-	-
Total	95.216	242.892	87.166	107.967

- Information on foreign banks

	Restricted Amount		Unrestricted Amount	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
EU Countries	10.853	5.612	-	-
USA, Canada	4.829	3.453	-	-
OECD Countries (*)	470	8.049	-	-
Off-shore Banking Regions	-	-	-	-
Others	236	340	-	-
Total	16.388	17.454	-	-

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

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

- Characteristics and carrying values of available-for-sale financial assets given as collateral:
As of 31 December 2016, there are TL 29.408 available-for-sale financial assets given as collateral/blocked (31 December 2015: TL 70.153) and those subject to repurchase agreements amounts to TL 314.305 (31 December 2015: TL 470.878).
- Information on available-for-sale financial assets:

	31 December 2016	31 December 2015
Debt Securities	515.136	644.190
Quoted on Stock Exchange	515.136	644.190
Not Quoted	-	-
Share Certificates	30.410	10.665
Quoted on Stock Exchange	19.748	-
Not Quoted	10.662	10.665
Impairment Provision (-)	6.391	1.525
Total	539.155	653.330

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

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

e. Explanations on loan:

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

	31 December 2016		31 December 2015	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	-	-	219
Corporate Shareholders	-	-	-	219
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	-	-	-	-
Loans Granted To Employees	6.288	-	4.896	-
Total	6.288	-	4.896	219

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

i.

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Restructured or Rescheduled		Loans and Other Receivables (Total)	Restructured or Rescheduled	
		Loans with Restructured Payment Plans	Other		Loans with Restructured Payment Plans	Other
Non-Specialised Loans	9.922.034	-	-	676.927	215.627	1.714
Loans Given to Enterprises	-	-	-	-	-	-
Export Loans	372.484	-	-	68.383	995	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	460.955	-	-	-	-	-
Consumer Loans	237.324	-	-	17.740	-	-
Credit Cards	4.824	-	-	779	-	-
Other (*)	8.846.447	-	-	590.025	214.632	1.714
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	9.922.034	-	-	676.927	215.627	1.714

(*) The Group also has TL 827 factoring loans in the Other account.

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

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

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	-	215.627
3,4 or 5 times	-	-
Over 5 times	-	-
Total	-	215.627

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	-	195.703
6 Months – 12 Months	-	-
1-2 Years	-	-
2-5 Years	-	-
5 Years and Over	-	19.924
Total	-	215.627

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	2.607.917	-	113.770	17.498
Non-specialised Loans	2.607.917	-	113.770	17.498
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	7.314.117	-	345.816	199.843
Non-specialised Loans	7.314.117	-	345.816	199.843
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
TOTAL	9.922.034	-	459.586	217.341

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

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

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

	Short- term	Medium and Long-term	Total
Consumer Loans-TL	9.859	232.473	242.332
Real estate loans	-	81.929	81.929
Automotive loans	129	3.781	3.910
Consumer loans	9.730	146.763	156.493
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	1.187	1.187
Real estate loans	-	1.187	1.187
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.145	-	3.145
With installments	-	-	-
Without installments	3.145	-	3.145
Individual Credit Cards- FC	29	-	29
With installments	-	-	-
Without installments	29	-	29
Personnel Loans-TL	359	5.083	5.442
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	359	5.083	5.442
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	827	-	827
With installments	-	-	-
Without installments	827	-	827
Personnel Credit Cards-FC	19	-	19
With installments	-	-	-
Without installments	19	-	19
Credit Deposit Account-TL (Real Person)	6.103	-	6.103
Credit Deposit Account-FC (Real Person)	-	-	-
Total	20.341	238.743	259.084

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(Continued)**

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

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

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	52.073	1.090.736	1.142.809
Real estate loans	-	-	-
Automotive loans	2.149	10.068	12.217
Consumer loans	49.924	1.080.668	1.130.592
Other	-	-	-
Commercial Installments Loans-FC Indexed	13.861	416.990	430.851
Real estate loans	-	-	-
Automotive loans	511	6.379	6.890
Consumer loans	13.350	410.611	423.961
Other	-	-	-
Commercial Installments Loans-FC	-	2.978.621	2.978.621
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	2.978.621	2.978.621
Other	-	-	-
Corporate Credit Cards-TL	1.527	-	1.527
With installment	-	-	-
Without installment	1.527	-	1.527
Corporate Credit Cards-FC	56	-	56
With installment	-	-	-
Without installment	56	-	56
Credit Deposit Account-TL (Legal Person)	18.434	-	18.434
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	85.951	4.486.347	4.572.298

6. Loans according to types of borrowers:

	31 December 2016	31 December 2015
Public	-	4.500
Private	10.598.961	8.158.244
Total	10.598.961	8.162.744

7. Distribution of domestic and foreign loans:

	31 December 2016	31 December 2015
Domestic Loans	10.598.961	8.162.744
Foreign Loans	-	-
Total	10.598.961	8.162.744

8. Loans given to investments in associates and subsidiaries:

None (31 December 2015 : None).

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(Continued)**

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

9. Specific provisions provided against loans:

	31 December 2016	31 December 2015
Loans and Other Receivables with Limited Collectability	14.218	4.512
Loans and Other Receivables with Doubtful Collectability	18.576	17.374
Uncollectible Loans and Other Receivables	112.580	115.001
Total	145.374	136.887

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

i. Information on loans and other receivables that are restructured or rescheduled by the Parent Bank:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
31 December 2016			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	233	707	7.204
31 December 2015			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	1.245	4.671

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
Prior Period End Balance	39.837	55.409	145.369
Additions (+)	154.717	12.680	25.923
Transfers from Other Categories of Non-performing Loans (+)	-	112.644	107.942
Transfers to Other Categories of Non-performing Loans (-)	113.415	107.171	-
Collections (-)	25.637	25.392	33.921
Write-offs (-)(*)	-	2.477	68.473
Corporate and Commercial Loans	-	2.476	68.261
Consumer Loans	-	-	87
Credit Cards	-	1	125
Other	-	-	-
Balance at the End of the Period	55.502	45.693	176.840
Specific Provision (-)	14.218	18.576	112.580
Net Balance on Balance Sheet	41.284	27.117	64.260

(*) The Parent Bank has derecognized its non-performing loans from assets TL 70.950 on 28 June 2016 through selling to Mega Varlık Yönetim A.Ş. amounted TL 1.500.

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(Continued)**

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

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2016			
Period-End Balance	33.402	16.331	45.129
Specific Provision (-)	11.302	8.096	27.096
Net Balance on balance sheet	22.100	8.235	18.033
31 December 2015			
Period-End Balance	2.240	18.544	15.638
Specific Provision (-)	376	4.717	8.157
Net Balance on balance sheet	1.864	13.827	7.481

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	41.284	27.117	64.260
Loans Given to Real Persons and Legal Persons (Gross)	44.301	43.815	143.101
Specific Provision Amount (-)	12.293	17.709	89.416
Loans Given to Real Persons and Legal Persons (Net)	32.008	26.106	53.685
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	11.201	1.878	33.739
Specific Provision Amount (-)	1.925	867	23.164
Other Loans and Receivables (Net)	9.276	1.011	10.575
Prior Period (Net)	35.325	38.035	30.368
Loans Given to Real Persons and Legal Persons (Gross)	37.718	39.205	133.382
Specific Provision Amount (-)	4.112	11.489	103.456
Loans Given to Real Persons and Legal Persons (Net)	33.606	27.716	29.926
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	2.119	16.204	11.987
Specific Provision Amount (-)	400	5.885	11.545
Other Loans and Receivables (Net)	1.719	10.319	442

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(Continued)**

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

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

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

12. Explanations on the write-off policy:

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

f. Information on held-to-maturity investments :

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	161.607	-	-
Other	-	-	-	-
Total	-	161.607	-	-

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Similar Securities	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Government Bond	161.607	-	-	-
Treasury Bond	-	-	-	-
Other Public Debt Securities	-	-	-	-
Total	161.607	-	-	-

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(Continued)**

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

f. Information on held-to-maturity investments (Continued) :

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

	31 December 2016	31 December 2015
Debt securities	161.607	-
Publicly-traded	161.607	-
Not publicly-traded	-	-
Provision for impairment	-	-
Total	161.607	-

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

	31 December 2016	31 December 2015
Opening balance	-	-
Foreign exchange differences in monetary assets	-	-
Purchases during the year	161.607	-
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
Period end balance	161.607	-

g. Information on investments in associates (Net):

None (31 December 2015: None).

h. Information on subsidiaries (Net):

1. Capital adequacy situation of major subsidiaries:

The Parent Bank does not need any capitals arising from subsidiaries who inserted capital adequacy standard ratio.

2. Information on unconsolidated subsidiaries:

None. (31 December 2015: None).

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

None. (31 December 2015: None).

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(Continued)**

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

4. Information on consolidated subsidiaries:

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage(%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
2	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiaries - Burgan Portföy Yönetimi A.Ş. (*) - Burgan Wealth Limited Dubai	Istanbul/Turkey Dubai/ UAE	100,00	-

(*)According to the results the date of 30 June 2016 Burgan Portföy Yönetimi A.Ş. which is subsidiary of Burgan Yatırım Menkul Değerler A.Ş. its total losses of previous periods and first six-month losses of 2016 financial year have dropped down below a 1/3 of company's capital. Through Board of Directors' decision dated 14 May 2016, company management has decided to pay off their funds and following that, company and its main partner Burgan Yatırım Menkul Değerler A.Ş. are merged. On the date of 17 May 2016, these decisions are notified in written to the Capital Market Board. On The date of 21 October 2016, by permission of the Capital Market Board, mutual funds which is founded by Burgan Portföy Yönetimi A.Ş. started to run off.

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	1.516.541	163.221	9.771	98.518	-	23.293	21.435	-
2 (*)	178.253	74.034	5.490	14.612	2.514	(18.267)	(10.645)	-

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

6. Movement schedules of subsidiaries:

	31 December 2016	31 December 2015
Balance at the beginning of the Period	228.722	217.779
Movements during the Period	8.449	10.943
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase(*)	8.449	10.943
Impairment Provision	-	-
Balance at the end of the Period	237.171	228.722
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	99,99%	99,99%

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

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

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

Subsidiaries	31 December 2016	31 December 2015
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	172.512	137.315
Finance Companies	-	-
Other Financial Subsidiaries	64.659	91.407
Total	237.171	228.722

8. Subsidiaries quoted on stock exchange:

None (31 December 2015 : None).

i. Information on joint ventures:

None (31 December 2015 : None).

j. Information on lease receivables (net):

Presentation of financial lease receivables based on their days to maturity:

	31 December 2016		31 December 2015	
	Gross	Net	Gross	Net
Less than 1 year	453.228	360.948	346.715	277.631
Between 1-4 years	876.923	750.732	628.910	530.139
More than 4 years	215.284	198.044	143.756	120.957
Total	1.545.435	1.309.724	1.119.381	928.727

k. Information on hedging derivative financial assets:

	31 December 2016		31 December 2015	
	TP	FC	TP	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	176.246	7.940	40.809	36
Foreign Net Investment Hedge	-	-	-	-
Total	176.246	7.940	40.809	36

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(Continued)**

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

I. Information on investment property:

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2014				
Cost	22.101	227	60.875	83.203
Accumulated depreciation (-)	(2.100)	(145)	(41.764)	(44.009)
Net book value	20.001	82	19.111	39.194
31 December 2015				
Net book value at beginning of the period	20.001	82	19.111	39.194
Additions	20	50	32.029	32.099
Disposals (-) (net)	-	-	(517)	(517)
Impairment (-)	-	-	-	-
Depreciation (-)	(440)	(32)	(9.143)	(9.615)
Revaluation Increase	2.419	-	-	2.419
Cost at Period End	24.541	277	80.153	104.971
Accumulated Depreciation at Period End (-)	(2.541)	(177)	(38.673)	(41.391)
Closing Net Book Value at Period End	22.000	100	41.480	63.580

	Immovables	Motor Vehicles	Other Tangible Assets	Total
31 December 2015				
Cost	24.541	277	80.153	104.971
Accumulated depreciation (-)	(2.541)	(177)	(38.673)	(41.391)
Net book value	22.000	100	41.480	63.580
31 December 2016				
Net book value at beginning of the period	22.000	100	41.480	63.580
Additions	-	9.298	11.099	20.397
Disposals (-), net	-	(100)	(122)	(222)
Impairment (-)	-	-	-	-
Depreciation (-)	456	622	9.777	10.855
Revaluation Increase	1.256	-	-	1.256
Cost at Period End	25.797	9.298	85.392	120.487
Accumulated Depreciation at Period End (-)	2.997	622	42.712	46.331
Closing Net Book Value at Period End	22.800	8.676	42.680	74.156

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

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

m. Information on intangible assets:

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

	31 December 2016	31 December 2015
Gross Book Value	86.868	73.935
Accumulated Depreciation (-)	37.344	28.198
Net Book Value	49.524	45.737

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

	31 December 2015	31 December 2014
Beginning of the Period	45.737	45.543
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	13.034	8.246
Disposals	22	-
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	9.225	8.052
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
End of the Period	49.524	45.737

n. Information on investment property:

None (31 December 2015: None).

o. Information on deferred tax asset:

As of 31 December 2016, the Group has netted-off the calculated deferred tax asset of TL 27.905 (31 December 2015: TL 21.767) and deferred tax liability of TL 33.411 (31 December 2015: TL 12.471) on the basis of company in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 8.290 and deferred tax liability of TL 13.796 (31 December 2015: 9.296) in the financial statements.

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

As of 31 December 2016 and 31 December 2015, the details of accumulated temporary differences and deferred tax assets and liabilities are presented below:

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Carried Financial Loss (*)	18.160	21.007	3.632	4.201
Provision for Legal Cases	8.332	4.652	1.666	930
Provisions for Possible Risks	26.897	28.824	5.379	5.765
Reserve for Employee Rights	17.919	15.867	3.584	3.174
Other Provisions	25.860	19.932	5.172	3.987
Valuation difference of derivative financial instruments	-	-	-	-
Unearned Revenue	21.231	17.303	4.246	3.461
Other	21.123	1.246	4.246	249
Deferred Tax Assets	139.522	108.831	27.905	21.767
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	30.748	29.237	6.150	5.847
Valuation Differences of Derivative Instruments	127.710	32.996	25.542	6.599
Other	8.595	123	1.719	25
Deferred Tax Liabilities	167.053	62.356	33.411	12.471
Deferred Tax Assets / (Liabilities) (Net)	(27.531)	46.475	(5.506)	9.296

(*) The Group’s financial losses carried forward amounting to TL 436 is usable in the corporate tax calculations until 2018, TL 6.401 until 2019 and TL 11.323 until 2021.

Movement of deferred tax asset/ liabilities is presented below:

	31 December 2016	31 December 2015
Balance as of 1 January	9.296	17.188
Current year deferred tax income/(expense) (net)	(12.958)	(6.066)
Deferred tax charged to equity (net)	(1.844)	(1.826)
Balance at the End of the Period	(5.506)	9.296

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

The Group has assets held for resale amounting to TL 45.511 (31 December 2015: TL 6.695) and has no discontinued operations.

	31 December 2016	31 December 2015
Prior Period:		
Cost	7.206	11.683
Accumulated Depreciation (-)	511	736
Net Book Value	6.695	10.947
Current Period		
Net book value at beginning of the period	6.695	10.947
Additions	41.413	2.508
Disposals (-) , net	2.131	6.504
Impairment (-)	49	-
Depreciation (-)	417	256
Cost	46.342	7.206
Accumulated Depreciation (-)	831	511
Closing Net Book Value	45.511	6.695

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(Continued)**

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

r. Information on other assets:

As of 31 December 2016, other assets amount to TL 177.863 (31 December 2015: TL 136.899) and does not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a. Information on deposits:

1. Information on maturity structure of deposits:

i. 31 December 2016:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-66 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.555	-	147.467	1.700.052	141.681	24.122	54.300	2.099.177
Foreign Currency Deposits	347.743	-	171.874	4.002.789	637.320	158.834	77.070	5.395.630
Residents in Turkey	295.967	-	171.424	3.940.283	628.322	156.889	23.584	5.216.469
Residents Abroad	51.776	-	450	62.506	8.998	1.945	53.486	179.161
Public Sector Deposits	5.453	-	-	1.030	-	-	-	6.483
Commercial Deposits	68.310	-	90.563	321.628	54.162	2.369	1.426	538.458
Other Institutions Deposits	1.487	-	6.579	120.097	12.294	142	11.527	152.126
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits	6.772	-	50.023	-	-	-	-	56.795
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	78	-	50.023	-	-	-	-	50.101
Foreign Banks	6.694	-	-	-	-	-	-	6.694
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	461.320	-	466.506	6.145.596	845.457	185.467	144.323	8.248.669

ii. 31 December 2015:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-66 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	17.464	-	43.275	934.636	76.602	42.099	48.034	1.162.110
Foreign Currency Deposits	337.812	-	99.312	3.526.447	562.193	67.020	96.671	4.689.455
Residents in Turkey	310.681	-	98.807	3.507.803	547.211	64.898	53.637	4.583.037
Residents Abroad	27.131	-	505	18.644	14.982	2.122	43.034	106.418
Public Sector Deposits	14.195	-	-	-	-	-	-	14.195
Commercial Deposits	77.352	-	69.424	278.895	37.777	55.905	56.059	575.412
Other Institutions Deposits	6.265	-	9.141	70.311	108	110	34.058	119.993
Precious Metal Deposits	-	-	-	-	-	-	-	-
Bank Deposits	7.097	-	43.249	-	-	-	-	50.346
The CBRT	-	-	-	-	-	-	-	-
Domestic Banks	100	-	43.249	-	-	-	-	43.349
Foreign Banks	6.997	-	-	-	-	-	-	6.997
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	460.185	-	264.401	4.810.289	676.680	165.134	234.822	6.611.511

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

2. Information on saving deposits insurance:

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

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Saving Deposits				
Saving Deposits	568.395	418.844	1.530.782	743.266
Foreign Currency Savings Deposit	198.348	198.352	2.622.810	2.807.719
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Authorities’ Insurance	-	-	-	-
Off-shore Banking Regions’ Deposits Under Foreign Authorities’ Insurance	-	-	-	-
Total	766.743	617.196	4.153.592	3.550.985

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

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

	31 December 2016	31 December 2015
Deposits and Other Accounts in Foreign Branches		
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	25.687	17.299
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCK” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
Total	25.687	17.299

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

b. Information on trading derivative financial liabilities:

Schedule of negative differences concerning trading derivative financial liabilities:

Trading Derivative Financial Liabilities	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Forward Transactions	26.467	5.586	8.427	4.441
Swap Agreements	87.835	11.976	38.220	7.487
Futures Transactions	-	-	-	-
Options	482	18.493	56	17.685
Other	-	-	-	-
Total	114.784	36.055	46.703	29.613

c. Information on borrowings:

1. Information on banks and other financial institutions:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	28.601	349.959	140.264	79.499
From Foreign Banks, Institutions and Funds	69.972	2.997.576	-	2.302.485
Total	98.573	3.347.535	140.264	2.381.984

2. Information on maturity structure of borrowings:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Short-term	98.573	662.124	37.466	290.235
Medium and Long-term	-	2.685.411	102.798	2.091.749
Total	98.573	3.347.535	140.264	2.381.984

3. Additional information on the major concentration of the Group's liabilities:

The Group's main funding sources are deposits and borrowings. As of 31 December 2016, deposits and borrowings from Group's risk group comprise 0,4% (31 December 2015: 0,4%) of total deposits. Besides this, borrowings from Group's risk group comprise 43,1% (31 December 2015: 57%) of subordinated and other borrowings.

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

d. Information on marketable securities issued:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bills	49.288	-	49.255	-
Bonds	-	-	-	-
Asset guaranteed securities	-	-	-	-
Total	49.288	-	49.255	-

e. Information on other foreign liabilities:

Other foreign liabilities amounting to TL 67.278 (31 December 2015: TL 85.106) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

f. Information on lease payables (net):

The contingent rent installments of financial lease contracts are determined by the price of commodity, market interest rates and the maturity of funding. The financial leasing contracts do not have any conditions which place significant commitments on the Group.

g. Information on hedging derivative financial liabilities:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Hedging Fair Value Risk	-	-	-	-
Hedging Cash Flow Risk	27.528	1.958	15.132	-
Hedging Net Investment In Foreign Operations	-	-	-	-
Total	27.528	1.958	15.132	-

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

h. Information on provisions:

1. Information on general provisions:

	31 December 2016	31 December 2015
General Provisions	90.245	77.497
Provisions for First Group Loans and Receivables	80.121	57.222
Additional Provision for Loans and Receivables with Extended Maturities (*)	-	767
Provisions for Second Group Loans and Receivables	7.692	16.853
Additional Provision for Loans and Receivables with Extended Maturities	-	11.174
Provisions for Non-Cash Loans	1.913	3.246
Other	519	176

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

2. Information on reserve for employment termination benefits:

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have been working more than one year, when employment is terminated due to obligatory reasons or they retire, when they have fulfilled 25 working years (women 20) and are eligible for retirement (for women 58 years, for men 60 years), when they have been called up for military service or when they die. After the amendment of legislation on 23 May 2002, some of the transition process articles related to the working period before retirement were enacted.

As of the date of 1 July 2016, the payment amount which is one month’s salary for each working year is restricted to TL 4.297,21 (31 December 2015: TL 3.828,37). Employee termination benefits are not funded as there is no funding requirement.

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

	31 December 2016	31 December 2015
Discount rate (%)	3,15	2,74
Salary increase rate (%)	9,00	8,75
Average remaining work period (Year)	11,43	11,57

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

Movement of reserve for employment termination benefits during the period:

	31 December 2016	31 December 2015
As of January 1	9.934	9.071
Service cost	2.123	1.718
Interest cost	1.022	665
Settlement cost	1.034	508
Actuarial loss/gain	(226)	585
Benefits paid (-)	3.388	2.613
Total	10.499	9.934

In addition, as of 31 December 2016 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 19.059 (31 December 2015: TL 16.883).

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2016	31 December 2015
Provisions for potential risks (*)	26.784	28.824
Total	26.784	28.824

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

ii. Information on other provisions:

The Group set aside under other provisions amounting to TL 8.445 (31 December 2015: TL 4.652) for lawsuits, TL 2.038 (31 December 2015: TL 1.941) for non-cash loans, TL 1.301 (31 December 2015: TL 1.192) for customer cheques commitments, TL 143 (31 December 2015: TL 62) for credit card loyalty points and TL 220 (31 December 2015: TL 183) for other receivables.

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

As of 31 December 2016, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 14 (31 December 2015: TL 3.128) and is netted from the loan amount in the financial statements.

i. Information on taxes payable:

1. Information on tax provision:

As of 31 December 2016, after prepaid tax amount is netted off, the corporate tax provision of the Bank is TL 236 (31 December 2015: 3.567).

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(Continued)**

2. Information on taxes payable:

	31 December 2016	31 December 2015
Corporate Tax Payable	236	3.567
Taxation of Marketable Securities	9.327	7.154
Property Tax	137	168
Banking Insurance Transaction Tax	6.129	6.208
Value Added Tax Payable	404	629
Other	3.114	3.378
Total	19.347	21.104

3. Information on premium payables:

	31 December 2016	31 December 2015
Social Security Premiums-Employee	2.090	1.099
Social Security Premiums-Employer	2.577	1.303
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	135	61
Unemployment Insurance-Employer	271	120
Other	-	-
Total	5.073	2.583

4. As of 31 December 2016, the Group has netted-off the calculated deferred tax asset of TL 27.905 (31 December 2015: TL 21.767) and deferred tax liability of TL 33.411 (31 December 2015: TL 12.471) in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 8.290 (31 December 2015: TL 9.296) and deferred tax liability of TL 13.796 in the financial statements.

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

None (31 December 2015: None).

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued)**

k. Information on subordinated loans:

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

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	06.12.2013	04.12.2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	30.03.2016	30.03.2026	LIBOR+3,75

The subordinated loan does not have the option to be converted into stock certificate.

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.057.478	-	438.893
Other Foreign	-	-	-	-
Total	-	1.057.478	-	438.893

l. Information on shareholders' equity:

1. Presentation of paid-in capital:

	31 December 2016	31 December 2015
Common Stock	900.000	900.000
Preferred Stock	-	-

2. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	1.000.000

3. Information on the share capital increases during the period and their sources:

None.

4. Information on capital increases from capital reserves during the current period:

None.

5. Information on capital commitments, up until the end of the fiscal year and the subsequent period:

None.

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
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6. Information on capital by considering the Parent Bank's profitability, prior period indicators on liquidity and uncertainty on these indicators:

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Parent Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital:

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

8. Information on marketable securities valuation reserve:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(872)	(6.999)	(1.521)	(857)
Foreign Currency Translation Difference	-	-	-	-
Total	(872)	(6.999)	(1.521)	(857)

9. Information on tangible assets revaluation reserve:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	16.127	-	15.122	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	-	-	-	-
Total	16.127	-	15.122	-

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

The profit of the 2016 , TL 52.169 is not distributed. It is classified as TL 1.071 is legal reserve, TL 4.813 is extraordinary reserve and TL 46.285 is absorbed from losses of previous period.

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**III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS**

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	31 December 2016	31 December 2015
Foreign currency buy/sell commitments	576.525	495.701
Commitments for cheques	302.867	299.665
Loan limit commitments	105.005	128.409
Forward securities commitments	618	-
Commitments for credit card limits	17.475	25.825
Capital Commitments for subsidiaries	14.997	-
Blocked cheques given to customers	-	3.300
Promotions for the credit cards and their care services	14	19
Total	1.017.501	952.919

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

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

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

	31 December 2016	31 December 2015
Letter of guarantees	1.584.427	1.225.235
Bank acceptance loans	256.635	195.057
Letter of credits	130.717	97.280
Other guarantees	10.429	26.555
Factoring guarantees	28	28
Total	1.982.236	1.544.155

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Irrevocable letters of guarantee	612.453	389.228	528.011	311.264
Revocable letters of guarantee	18.689	58.023	24.858	30.931
Guarantees given to customs	73.964	33.691	51.280	30.677
Letters of guarantee given in advance	9.089	161.826	9.069	116.668
Other letters of guarantee	16.724	210.740	15.074	107.403
Total	730.919	853.508	628.292	596.943

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(Continued)**

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

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

	31 December 2016	31 December 2015
Non-cash loans given against cash loans	229.648	143.161
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	229.648	143.161
Other non-cash loans	1.752.588	1.400.994
Total	1.982.236	1.544.155

ii. Information on sectoral concentration of non-cash loans:

	31 December 2015				31 December 2014			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	1.001	0,14	8.235	0,66	10.761	1,70	8.803	0,96
Farming and Livestock	772	0,11	8.235	0,66	10.498	1,66	8.803	0,96
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,03	-	-	263	0,04	-	-
Manufacturing	253.533	34,51	593.507	47,57	193.898	30,70	484.018	53,04
Mining	103.731	14,12	128.295	10,28	12.403	1,96	84.198	9,23
Production	141.345	19,24	461.962	37,03	167.702	26,55	396.047	43,40
Electric, Gas, Water	8.457	1,15	3.250	0,26	13.793	2,18	3.773	0,41
Construction	213.385	29,04	372.048	29,82	173.363	27,45	259.092	28,39
Services	250.629	34,11	273.116	21,89	236.264	37,40	158.234	17,34
Wholesale and Retail Trade	86.510	11,77	76.906	6,16	128.311	20,31	73.087	8,01
Hotel and Food Services	9.255	1,26	21.858	1,75	8.546	1,35	2.261	0,25
Transportation and Telecommunication	22.856	3,11	12.418	1,00	22.313	3,53	16.243	1,78
Financial Institutions	109.858	14,95	135.025	10,82	48.875	7,74	38.049	4,17
Real Estate and Leasing Ser.	11.915	1,62	20.752	1,66	18.943	3,00	25.802	2,83
Professional Services	6.187	0,84	-	-	2.575	0,41	-	-
Education Services	66	0,01	951	0,08	98	0,02	-	-
Health and Social Services	3.982	0,54	5.206	0,42	6.603	1,05	2.792	0,31
Other	16.149	2,20	633	0,05	17.386	2,75	2.336	0,26
Total	734.697	100	1.247.539	100	631.672	100	912.483	100

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

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	699.027	835.452	27.458	18.006
Bank Acceptances	3.750	126.967	-	-
Letters of Credit	-	256.035	-	600
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	10.429	-	-
Total	702.805	1.228.883	27.458	18.606

(*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 4.484. As of 31 December 2016, the Group has recorded a TL 2.038 provision regarding these risks.

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

b. Information on derivative financial instruments:

	31 December 2016	31 December 2015
Types of Trading Transactions		
Foreign currency related derivative transactions (I)	11.808.728	12.055.808
Currency forward transactions	1.016.154	1.324.583
Currency swap transactions	5.016.229	5.706.479
Futures transactions	-	-
Options	5.776.345	5.024.746
Interest related derivative transactions (II)	6.278.116	4.156.866
Forward rate agreements	-	-
Interest rate swaps	6.278.116	4.156.866
Interest rate options	-	-
Interest rate futures	-	-
Other trading derivative transactions (III)	2.220	1.354
A. Total trading derivative transactions (I+II)	18.089.064	16.214.028
Types of hedging transactions	2.703.500	984.772
Fair value hedges	-	-
Cash flow hedges	2.703.500	984.772
Foreign currency investment hedges	-	-
B. Total hedging related derivatives	2.703.500	984.772
Total derivative transactions (A+B)	20.792.564	17.198.800

c. Investment Funds:

As of 31 December 2016, the Group is the founder of 6 investment funds (31 December 2015: 6) with a total fund value of TL 11.033 (31 December 2015: TL 24.248) and these funds are managed by Burgan Portföy Yönetimi A.Ş. The shares of the investment funds established in accordance with the Capital Markets Board Legislation are kept dematerialized by Central Registry Agency Inc. The Group has prepared its financial statements in accordance with going concern. Total amount of retained losses and losses of 2016 has dropped under 1/3 of company capital in financial statements in accordance with the results of the Company as of December 31, 2016. The Company management has decided to the liquidation of funds, founded and managed by the Company itself, and merger of the Company to its Main Partner, Burgan Yatırım Menkul Değerler A.Ş., through fast merger method with respect to decision of Board of Directors dated May 14, 2016 and the aforementioned decision has been submitted to Capital Markets Board on May 17, 2016. The liquidation of funds was approved in accordance with the letter of the Board dated October 21, 2016 and numbered 11058 and the Company announced that the funds shall be liquidated on May 2, 2017. In addition, it is stated that there exist a minimum shareholder’s equity deficit amounting to TL 68.977 in accordance with the unaudited capital adequacy results of the Company dated February 28, 2017. The Company Management has declared that it shall take required actions and legal steps following the completion of liquidation of funds.

d. Information on contingent assets and contingent liabilities:

As of 31 December 2016, the total amount of legal cases against the Group is TL 46.548 (31 December 2015: TL 34.582) and the Parent Bank sets aside a provision of TL 8.445 (31 December 2015: TL 4.652) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at “Denizli Tax Authority” and “Denizli Civil Court of General Jurisdiction” for cancellation of the payment order of TL 25.459, which was notified to the Parent Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Parent Bank. The cases are at the appeal phase. As a result, the Parent Bank did not book

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any provision.

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

e. Brief information on the Bank's rating given by International Rating Institutions:

FITCH (26 August 2016)	
Outlook	Stable
Long Term FC	BBB-
Short Term FC	F3
Long Term TL	BBB-
Short Term TL	F3
Viability Note	b+
Support Rating	2
National Rating	AAA(tur)

MOODY'S (26 September 2016)	
Outlook	Stable
Long Term FC	Ba3
Short Term FC	Not Prime
Long Term TL	Ba3
Short Term TL	Not Prime

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IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

1. Information on interest income on loans :

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Interest Income on Loans(*)				
Short-term Loans	331.251	19.672	332.722	16.632
Medium/Long-term Loans	212.962	262.328	141.763	192.752
Interest on Loans Under Follow-up	5.176	-	4.119	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	549.389	282.000	478.604	209.384

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

2. Information on interest income on banks:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	2.979	325	3.568	95
From Foreign Banks	-	17	-	32
Headquarters and Branches Abroad	-	-	-	-
Total	2.979	342	3.568	127

3. Information on marketable securities:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From Trading Financial Assets	5.315	239	3.590	60
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	22.372	12.613	26.090	5.618
From Held-to-Maturity Investments	-	1.839	-	-
Total	27.687	14.691	29.680	5.678

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

None (31 December 2015: None).

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(Continued)**

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

b. Information on interest expense:

1. Information on interest expense on borrowings:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Banks	12.527	111.614	13.040	79.286
The CBRT	-	-	-	-
Domestic Banks	12.522	1.064	13.025	1.094
Foreign Banks	5	110.550	15	78.192
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	9.863	-	-
Total(*)	12.527	121.477	13.040	79.286

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

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

None (31 December 2015: None).

3. Information on interest expense on issued securities

	31 December 2016	31 December 2015
Interest expense on issued securities	10.383	4.692

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

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		
TL								
Bank Deposits	9	470	-	-	-	-	-	479
Savings Deposits	-	8.215	163.092	19.446	9.397	7.460	-	207.610
Public Deposits	-	5	79	-	-	-	-	84
Commercial Deposits	-	9.366	39.007	4.932	3.578	4.634	-	61.517
Other Deposits	-	387	9.160	1.920	323	3.356	-	15.146
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Total	9	18.443	211.338	26.298	13.298	15.450	-	284.836
FC								
Foreign Currency Account	-	2.427	90.418	14.693	2.234	2.112	-	111.884
Bank Deposits	-	204	-	-	-	-	-	204
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	2.631	90.418	14.693	2.234	2.112	-	112.088
Sum Total	9	21.074	301.756	40.991	15.532	17.562	-	396.924

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

c. Information on dividend income:

	31 December 2016	31 December 2015
Trading Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	627	542
Other	-	-
Total	627	542

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

	31 December 2016	31 December 2015
Income	14.187.946	14.350.055
Capital Market Transactions	27.394	32.126
Derivative Financial Transactions	46.277	18.387
Foreign Exchange Gains	14.114.275	14.299.542
Loss (-)	14.163.398	14.317.367
Capital Market Transactions	19.415	27.188
Derivative Financial Transactions	33.672	27.415
Foreign Exchange Loss	14.110.311	14.262.764
Net Income/(Loss)	24.548	32.688

e. Information on other operating income:

As of 31 December 2016, the Group’s other operating income is TL 19.476 (31 December 2015: TL 19.347). TL 1.247 (31 December 2015: TL 5.011) of the amount of the other operating income is composed of profit from sales of the fixed assets that were classified as “Asset Held for Resale” of the Parent Bank.

f. Provision expenses related to loans and other receivables:

	31 December 2016	31 December 2015
Specific Provisions for Loans and Other Receivables	73.815	69.776
III. Group Loans and Receivables	15.002	4.628
IV. Group Loans and Receivables	16.479	13.306
V. Group Loans and Receivables	42.334	51.842
General Provision Expenses	7.157	7.897
Provision Expense for Possible Risks	(4.242)	14.709
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-Maturity Investments	-	-
Other	-	-
Total	76.730	92.382

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

g. Information related to other operating expenses:

	31 December 2016	31 December 2015
Personnel Expenses	172.980	161.848
Reserve For Employee Termination Benefits (*)	4.567	2.870
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	10.855	9.615
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	9.225	8.052
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	49	-
Depreciation Expenses of Assets Held for Resale	417	256
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	104.368	112.806
Operational Lease Expenses	29.741	32.574
Maintenance Expenses	3.272	2.692
Advertising Expenses	1.224	600
Other Expense	70.131	76.940
Loss on Sales of Assets	298	580
Other (**)	27.729	5.892
Total	330.488	301.919

(*) As of 31 December 2016, the employee vacation fee provision income is TL 399. (31 December 2015: TL 40).

(**) In the prior period's other component; in consequence of arising a positive law case, provision of TL 13.220 was cancelled, TL 14.758 income was recorded.

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

The Group has no discontinued operations. The Group's income before tax from continuing operations is TL 97.739. (31 December 2015: TL 68.928 income before tax).

i. Information on provision for taxes from discontinued and continuing operations:

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

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

As of 31 December 2016, the Group has current tax expense amounting to TL13.108 and deferred tax expense amounting to TL 12.958.

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

The Group has TL 3.951 deferred tax income from temporary differences, TL 828 deferred tax income from carried financial loss, TL 17.737 deferred tax expense and income due to temporary differences closed to net TL 12.958 deferred tax expense.

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(Continued)**

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

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

As of 31 December 2016, the Group has TL 13.786 deferred tax expense arising from temporary differences and TL 828 deferred tax income as a result of carried financial loss.

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

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

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

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

None.

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

None.

l. Information on other income and expenses:

1. As of 31 December 2016, the Group's interest income amounts to TL 1.246.480 (31 December 2015: TL 924.709) and TL 261.736 (31 December 2015: TL 120.099) of the related amount is classified as "Other Interest Income" account in income statement.

	31 December 2016	31 December 2015
Other Interest Income		
Interest income related to derivative transactions	242.864	108.571
Other	18.872	11.528
Total	261.736	120.099

2. As of 31 December 2016, the Group's interest expense amount to TL 826.287 (31 December 2015: TL 559.611) and TL 260.258 (31 December 2015: TL 163.152) of the related amount is classified "Other Interest Expense" account in income statement.

	31 December 2016	31 December 2015
Other Interest Expense		
Interest expense related to derivative transactions	241.696	162.070
Other	18.562	1.082
Total	260.258	163.152

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

3. As of 31 December 2016, the Group’s fee and commission income amounts to TL 48.671 (31 December 2015: TL 58.178) and TL 34.294 (31 December 2015: TL 46.456) of the related amount is classified under “Other fee and commission income” account.

	31 December 2016	31 December 2015
Other Fee and Commissions Received		
Commissions From Brokerage Activity-Leveraged Trading	5.566	6.169
Commissions From Brokerage Activity in Istanbul Stock Exchange	4.952	8.829
Commissions From Brokerage Activity in Turkish Derivative Exchange	3.827	11.664
Credit Card and POS Transaction Commission	3.301	2.161
Insurance Commissions	3.277	1.862
Investment Consultancy Fees	1.439	1.763
Transfer Commissions	1.040	1.396
Commissions on Investment Fund Services	899	4.706
Commissions from Correspondent Banks	404	406
Ortak Nokta Commissions	319	503
Letter of Credit Commissions	99	116
Commissions from Credit Commissions	12	20
Other	9.159	6.861
Total	34.294	46.456

4. As of 31 December 2016, Group’s fee and commission expense amounts to TL 8.558 (31 December 2015: TL 12.624) and TL 7.953 (31 December 2015: TL 12.069) of the related amount is classified under “Other fee and commission expense” account.

	31 December 2016	31 December 2015
Other Fee and Commissions Given		
Credit Card Transaction Commission	3.037	5.127
Stock Exchange Contribution Expenses	1.617	2.247
Commissions Granted to Correspondent Banks	865	848
EFT Commissions	662	593
Ortak Nokta Clearing Commissions	415	461
Transfer Commissions	103	136
Other	1.254	2.657
Total	7.953	12.069

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(Continued)**

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS’ EQUITY

a. Information on change in the shareholder structure of the Bank:

There is no change in Parent Bank’s partnership structure in 2016.

b. Information on distribution of profit:

According to the decision of the Parent Bank held at the Ordinary General Assembly Meeting held on 31 March 2016; While adapting TAS 27 Standard, the profit of 2015, TL 52.169 was not distributed, TL 1.071 was allocated as legal reserves, TL 4.813 as extraordinary reserves, TL 46.285 had been deducted from the losses.

c. Information on capital increase:

There is no capital increase in 2016.

d. Information on valuation differences of marketable securities:

Unrealized gains and losses” arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the “Marketable securities valuation reserve” account under equity, until the financial assets are sold, disposed or impaired.

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(872)	(6.999)	(1.521)	(857)
Foreign Currency Difference	-	-	-	-
Total	(872)	(6.999)	(1.521)	(857)

e. Information on revaluation differences of tangible and intangible assets :

The reversal from revaluation reserve to their fair value for immovables amounting to TL1.005 net of tax (31 December 2015: TL 1.935) is accounted under “Revaluation differences of tangible assets and intangible assets”.

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Information on cash and cash equivalent assets:

Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash, foreign currency, cash in transit and purchased bank cheques together with demand deposits at banks including the CBRT are defined as “Cash”; interbank money market and time deposits in banks with original maturities of less than three months are defined as “Cash Equivalents”.

1. Cash and cash equivalents at the beginning of period:

	31 December 2016	31 December 2015
Cash	376.251	393.945
Cash, Foreign Currency and Other	26.414	30.166
Demand Deposits in Banks	349.837	363.779
Cash Equivalents	198.231	239.205
Interbank Money Market	22.195	130.141
Time Deposits in Bank	176.036	109.064
Total Cash and Cash Equivalents	574.482	633.150

The total amount from the operations that occurred in the prior period is the total cash and cash equivalents amount at the beginning of the current period.

2. Cash and cash equivalents at the end of the period:

	31 December 2016	31 December 2015
Cash	415.275	376.251
Cash, Foreign Currency and Other	26.850	26.414
Demand Deposits in Banks	388.424	349.837
Cash Equivalents	334.286	198.231
Interbank Money Market	16.690	22.195
Time Deposits in Bank	317.596	176.036
Total Cash and Cash Equivalents	749.561	574.482

b. Information on other items presented in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents :

“Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to negative TL 285.995 TL (31 December 2015: negative TL 203.626) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

“Net increase/decrease in liabilities” items presented in “Changes in operating assets and liabilities” amount to positive TL 132.822 (31 December 2015: negative TL 51.804) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2016, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive TL 45.407 (31 December 2015: positive TL 13.347).

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

VII. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP

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

1. Prior period financial information is presented as at 31 December 2015 for balance sheet and as at 31 December 2015 for income statements items.

31 December 2016:

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

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

31 December 2015:

Groups’ Risk Group (*) Loans and Other Receivables	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Balance at the Beginning of the Period	-	18.079	-	-	24	26.972
Balance at the End of the Period	-	23.519	-	219	89	8.753
Interest and Commission Income Received	-	-	-	-	7	-

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

2. Information on deposits and repurchase transactions of the Group’s risk group:

Groups’ Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the Period	-	-	6.184	21.433	17.841	13.257
End of the Period	-	-	5.656	6.184	26.005	17.841
Interest Expense on Deposits	-	-	-	-	1.238	967

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

Groups’ Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	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.

**CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

BURGAN BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

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

VII. EXPLANATIONS AND NOTES RELATED TO GROUP’S RISK GROUP (Continued):

3. Information on forward and option agreements and other similar agreement with the Group’s risk group:

Groups’ Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for trading purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-
Transactions for hedging purposes						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

b. With respect to the Group’s risk group:

1. The relations with entities that are included in the Group’s risk group and controlled by the Group:

The Group performs various transactions with related parties during its banking activities. These are commercial transactions realised with market prices.

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues:

	Total Risk Group	Share in Financial Statements (%)
Borrowings	1.941.540	43,11
Non-cash loans	96.333	4,86
Deposit	31.661	0,38
Banks and Other Financial Institutions	130	0,04
Loans	113	-

As of 31 December 2016, the Group has realized interest expense amounting to TL 62.857 (31 December 2015: TL 51.244) on loans borrowed from the direct shareholders.

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

VII. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP (Continued):

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

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Parent Bank's risk group and the amount composes 0,76% (31 December 2015: 0,33%) of the Group's total cash and non-cash loans.

As of 31 December 2016 there are no purchase-sales transactions on any assets including real-estate with the risk group consisting the Parent Bank.

As of 31 December 2016 there are no agreements related to transfer and management of the information gathered from the research and development with the risk group that the Parent Bank is included.

c. Information on benefits provided to top management:

Top management of the Group is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 22.886 (31 December 2015: TL 22.044) which include total gross salary, travel, meal, health, life insurance and other expenses.

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK

- a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number			
Domestic Branch	49	994			
			Country of Incorporation		
Foreign Representative	-	-	-		
				Total Asset	Statutory share capital
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

- b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS RELATED TO GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDIT REPORT

I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The consolidated financial statements as of 31 December 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor’s independent limited audit report dated 10 March 2017 has been presented prior to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.