

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

## **BURGAN BANK A.Ş.**

PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
TOGETHER WITH INDEPENDENT AUDIT REPORT  
AT 31 DECEMBER 2017

**(Convenience Translation of the Independent Auditors' Report  
Originally Issued in Turkish (See Note I in Section Three))**

**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Burgan Bank A.Ş.:**

**Audit of Unconsolidated Financial Statements**

**Opinion**

We have audited the accompanying unconsolidated financial statements of Burgan Bank A.Ş. (the Bank), which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Burgan Bank A.Ş. as at 31 December 2017 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

**Basis for Opinion**

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

**Key Audit Matters**

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

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<i>Impairment of Loans and Receivables</i>	
<p>Impairment of loans and receivables to customer is a key area of judgement for the management. There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables which are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related Explanations relating to the impairment of loans and receivables have been disclosed in Note e in the Disclosures and Footnotes related to Assets.</p>	<p>Our audit procedures included among others, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and receivables and the assessment of impairment losses of loans and receivables were reasonably determined in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation. In addition we considered, assessed and tested the relevant controls over granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions, to confirm the operating effectiveness of the key controls in place, which identify the impaired loans and receivables and the required provisions against them.</p>
<i>Derivative Financial Instruments</i>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in Note b in the Disclosures and Footnotes related to off-balance sheet accounts.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts of our firm and the assessment of used estimations and the judgements and testing of operating effectiveness of the key controls in the process of fair value determination.</p>

### Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

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

## **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

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

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

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

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2017 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

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

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



28 February 2018  
İstanbul, Türkiye

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

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

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

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

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

28 February 2018

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 UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

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

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

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

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

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

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



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

BURGAN BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**GENERAL INFORMATION (Continued)**

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

The Bank’s registered capital ceiling is 2 million TL. Following the Board of Directors’ decisions dated 15 December 2017, 14 January 2018 and 21 February 2018 the Bank has decided to increase its capital by receiving a partial capital payment amounting to 285 million TL from the Bank’s main associate, Burgan Bank K.P.S.C. This increase has been conducted under the registered capital ceiling and the amount has been transferred to the Bank’s accounts at 27 December 2017. The BRSA investigations and permissions regarding the payment have been completed, and the related amount has been reflected to the Bank’s financial statements as of 31 December 2017. The legal procedures regarding the rights of priority of other shareholders are still continuing. There is no change in the Shareholder structure of the Bank other than the increase in capital.

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

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

BURGAN BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**GENERAL INFORMATION (Continued)**

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

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
<b>Chairman of the Board of Directors:</b>	Mehmet Nazmi Erten	Chairman of Board of Directors	Undergraduate
<b>Board of Directors Members:</b>	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
<b>General Manager:</b>	Ali Murat Dinç	Member and General Manager	Graduate
<b>Vice General Managers:</b>	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
<b>Audit Committee:</b>	Halil Cantekin	Committee President	Undergraduate
	Adrian Alejandro Gostuski	Member	Graduate
	Osama T. Al Ghoussein	Member	Undergraduate

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

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

BURGAN BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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**GENERAL INFORMATION (Continued)**

**IV. EXPLANATION ON SHAREHOLDERS HAVING CONTROL SHARES:**

Name/Commercial title	Share Amounts	Share percentage	Paid-in Capital	Unpaid portion
Burgan Bank K.P.S.C.	1.178.324	99,44%	99,44%	-

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

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

As of 31 December 2017, the Bank has 43 branches operating in Turkey (31 December 2016: 49). The Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 31 December 2017, the Bank has 978 (31 December 2016: 994) employees.

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

None.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)

AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2017)			(31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	<b>I-a</b>	<b>1.034.425</b>	<b>992.902</b>	<b>2.027.327</b>	<b>161.250</b>	<b>1.157.611</b>	<b>1.318.861</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)</b>	<b>I-b</b>	<b>80.309</b>	<b>83.557</b>	<b>163.866</b>	<b>73.053</b>	<b>51.786</b>	<b>124.839</b>
2.1 Trading Financial Assets		80.309	83.557	163.866	73.053	51.786	124.839
2.1.1 Government Debt Securities		2.342	2.968	5.310	11.975	840	12.815
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		77.967	80.458	158.425	61.078	50.111	111.189
2.1.4 Other Marketable Securities		-	131	131	-	835	835
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>I-c</b>	<b>16</b>	<b>157.301</b>	<b>157.317</b>	<b>22</b>	<b>239.636</b>	<b>239.658</b>
<b>IV. MONEY MARKETS</b>							
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>I-d</b>	<b>155.897</b>	<b>95.695</b>	<b>251.592</b>	<b>346.982</b>	<b>168.612</b>	<b>515.594</b>
5.1 Share Certificates		4.225	-	4.225	6.849	-	6.849
5.2 Government Debt Securities		150.952	95.695	246.647	338.714	92.465	431.179
5.3 Other Marketable Securities		720	-	720	1.419	76.147	77.566
<b>VI. LOANS</b>	<b>I-e</b>	<b>5.828.071</b>	<b>7.434.460</b>	<b>13.262.531</b>	<b>4.620.245</b>	<b>6.064.455</b>	<b>10.684.700</b>
6.1 Loans		5.664.715	7.434.460	13.099.175	4.508.446	6.064.455	10.572.901
6.1.1 Loans to Bank's Risk Group		21.714	6	21.720	106	7	113
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		5.643.001	7.434.454	13.077.455	4.508.340	6.064.448	10.572.788
6.2 Loans under Follow-up		345.661	-	345.661	231.217	-	231.217
6.3 Specific Provisions (-)		182.305	-	182.305	119.418	-	119.418
<b>VII. FACTORING RECEIVABLES</b>	<b>I-e</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>123</b>	<b>704</b>	<b>827</b>
<b>VIII. HELD-TO-MATURITY SECURITIES (Net)</b>	<b>I-f</b>	<b>-</b>	<b>171.218</b>	<b>171.218</b>	<b>-</b>	<b>161.607</b>	<b>161.607</b>
8.1 Government Debt Securities		-	171.218	171.218	-	161.607	161.607
8.2 Other Marketable Securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	<b>I-g</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>	<b>I-h</b>	<b>256.972</b>	<b>-</b>	<b>256.972</b>	<b>237.171</b>	<b>-</b>	<b>237.171</b>
10.1 Unconsolidated Financial Subsidiaries		256.972	-	256.972	237.171	-	237.171
10.2 Unconsolidated non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI. JOINT VENTURES (Net)</b>	<b>I-i</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Consolidated Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	<b>I-j</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
<b>XIII. HEDGING DERIVATIVE FINANCIAL ASSETS</b>	<b>I-k</b>	<b>257.159</b>	<b>5.708</b>	<b>262.867</b>	<b>176.246</b>	<b>4.771</b>	<b>181.017</b>
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		257.159	5.708	262.867	176.246	4.771	181.017
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV. PROPERTY AND EQUIPMENT (Net)</b>	<b>I-l</b>	<b>55.377</b>	<b>-</b>	<b>55.377</b>	<b>58.999</b>	<b>-</b>	<b>58.999</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>I-m</b>	<b>45.085</b>	<b>-</b>	<b>45.085</b>	<b>46.352</b>	<b>-</b>	<b>46.352</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		45.085	-	45.085	46.352	-	46.352
<b>XVI. INVESTMENT PROPERTY (Net)</b>	<b>I-n</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSET</b>	<b>I-o</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.463</b>	<b>-</b>	<b>1.463</b>
17.1 Current Tax Asset		-	-	-	1.463	-	1.463
17.2 Deferred Tax Asset		-	-	-	-	-	-
<b>XVIII. ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>I-p</b>	<b>45.085</b>	<b>-</b>	<b>45.085</b>	<b>45.165</b>	<b>-</b>	<b>45.165</b>
18.1 Held for Resale		45.085	-	45.085	45.165	-	45.165
18.2 Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>I-r</b>	<b>64.651</b>	<b>43.415</b>	<b>108.066</b>	<b>55.806</b>	<b>49.557</b>	<b>105.363</b>
<b>TOTAL ASSETS</b>		<b>7.823.053</b>	<b>8.984.256</b>	<b>16.807.309</b>	<b>5.822.877</b>	<b>7.898.739</b>	<b>13.721.616</b>

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)

AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

I. BALANCE SHEET	Note (Section Five)	(31/12/2017)			(31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	<b>II-a</b>	<b>3.516.584</b>	<b>5.411.531</b>	<b>8.928.115</b>	<b>2.853.924</b>	<b>5.455.909</b>	<b>8.309.833</b>
1.1 Deposits of Bank's Risk Group		31.613	55.179	86.792	14.322	78.503	92.825
1.2 Other		3.484.971	5.356.352	8.841.323	2.839.602	5.377.406	8.217.008
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>II-b</b>	<b>78.884</b>	<b>91.050</b>	<b>169.934</b>	<b>130.824</b>	<b>36.078</b>	<b>166.902</b>
<b>III. BORROWINGS</b>	<b>II-c</b>	<b>37.019</b>	<b>4.180.886</b>	<b>4.217.905</b>	<b>24.711</b>	<b>2.182.008</b>	<b>2.206.719</b>
<b>IV. MONEY MARKETS</b>		<b>1.206</b>	<b>198.953</b>	<b>200.159</b>	<b>212.082</b>	<b>185.428</b>	<b>397.510</b>
4.1 Funds from Interbank Money Market		-	-	-	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	4.502	-	4.502
4.3 Funds Provided Under Repurchase Agreements		1.206	198.953	200.159	207.580	185.428	393.008
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	<b>II-d</b>						
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>							
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>40.147</b>	<b>232.644</b>	<b>272.791</b>	<b>43.643</b>	<b>159.287</b>	<b>202.930</b>
<b>VIII. OTHER LIABILITIES</b>	<b>II-e</b>	<b>49.352</b>	<b>4.508</b>	<b>53.860</b>	<b>61.368</b>	<b>5.905</b>	<b>67.273</b>
<b>IX. FACTORING PAYABLES</b>							
<b>X. LEASE PAYABLES (Net)</b>	<b>II-f</b>						
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>II-g</b>	<b>40.807</b>	<b>12.560</b>	<b>53.367</b>	<b>27.528</b>	<b>1.958</b>	<b>29.486</b>
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		40.807	12.560	53.367	27.528	1.958	29.486
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	<b>II-h</b>	<b>103.627</b>	<b>89.083</b>	<b>192.710</b>	<b>79.963</b>	<b>73.726</b>	<b>153.689</b>
12.1 General Loan Loss Provision		42.716	64.850	107.566	36.460	53.785	90.245
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		33.084	-	33.084	26.123	-	26.123
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		27.827	24.233	52.060	17.380	19.941	37.321
<b>XIII. TAX LIABILITY</b>	<b>II-i</b>	<b>65.411</b>		<b>65.411</b>	<b>37.238</b>		<b>37.238</b>
13.1 Current Tax Liability		31.930	-	31.930	23.442	-	23.442
13.2 Deferred Tax Liability		33.481	-	33.481	13.796	-	13.796
<b>XIV. PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>II-j</b>						
14.1 Held for Resale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	<b>II-k</b>		<b>1.140.582</b>	<b>1.140.582</b>		<b>1.057.478</b>	<b>1.057.478</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>II-l</b>	<b>1.506.245</b>	<b>6.230</b>	<b>1.512.475</b>	<b>1.097.572</b>	<b>(5.014)</b>	<b>1.092.558</b>
16.1 Paid-in Capital		1.185.000	-	1.185.000	900.000	-	900.000
16.2 Capital Reserves		46.635	6.230	52.865	32.810	(5.014)	27.796
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Reserve		(2.366)	(143)	(2.509)	(872)	(6.999)	(7.871)
16.2.4 Tangible Assets Revaluation Reserve		18.075	-	18.075	16.127	-	16.127
16.2.5 Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8 Hedging Reserves (Effective portion)		33.883	6.373	40.256	19.930	1.985	21.915
16.2.9 Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Capital Reserves		(2.957)	-	(2.957)	(2.375)	-	(2.375)
16.3 Profit Reserves		164.762	-	164.762	93.089	-	93.089
16.3.1 Legal Reserves		21.342	-	21.342	20.178	-	20.178
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		143.420	-	143.420	72.911	-	72.911
16.3.4 Other Profit Reserves		-	-	-	-	-	-
16.4 Income or (Loss)		109.848	-	109.848	71.673	-	71.673
16.4.1 Prior Years' Income/ (Loss)		-	-	-	-	-	-
16.4.2 Current Year Income/ (Loss)		109.848	-	109.848	71.673	-	71.673
<b>TOTAL LIABILITIES</b>		<b>5.439.282</b>	<b>11.368.027</b>	<b>16.807.309</b>	<b>4.568.853</b>	<b>9.152.763</b>	<b>13.721.616</b>

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

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

**BURGAN BANK A.Ş.**

**UNCONSOLIDATED OFF-BALANCE SHEETS COMMITMENTS AT**

**31 DECEMBER 2017 AND 31 DECEMBER 2016**

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

II. OFF-BALANCE SHEET	Note(Section Five)	(31/12/2017)			(31/12/2016)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>6.645.802</b>	<b>30.744.933</b>	<b>37.390.735</b>	<b>6.451.280</b>	<b>17.996.288</b>	<b>24.447.568</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>III-a-2-3</b>	<b>759.513</b>	<b>1.359.136</b>	<b>2.118.649</b>	<b>734.697</b>	<b>1.247.539</b>	<b>1.982.236</b>
1.1 Letters of Guarantee		756.055	983.997	1.740.052	730.919	853.508	1.584.427
1.1.1 Guarantees Subject to State Tender Law		7.251	4.124	11.375	7.398	4.575	11.973
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		748.804	979.873	1.728.677	723.521	848.933	1.572.454
1.2 Bank Acceptances		3.430	104.336	107.766	3.750	126.967	130.717
1.2.1 Import Letter of Acceptance		3.430	104.336	107.766	3.750	126.967	130.717
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	234.673	234.673	-	256.635	256.635
1.3.1 Documentary Letters of Credit		-	234.673	234.673	-	256.635	256.635
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		28	-	28	28	-	28
1.8 Other Guarantees		-	36.130	36.130	-	10.429	10.429
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>III-a-1</b>	<b>566.692</b>	<b>143.459</b>	<b>710.151</b>	<b>665.226</b>	<b>392.275</b>	<b>1.057.501</b>
2.1 Irrevocable Commitments		566.692	143.459	710.151	665.226	392.275	1.057.501
2.1.1 Asset Purchase and Sales Commitments		48.824	143.459	192.283	184.868	392.275	577.143
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		14.997	-	14.997	14.997	-	14.997
2.1.4 Commitments for Loan Limits		149.606	-	149.606	145.005	-	145.005
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		334.480	-	334.480	302.867	-	302.867
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		18.777	-	18.777	17.475	-	17.475
2.1.10 Promotion Commitments for Credit Cards and Banking Services		8	-	8	14	-	14
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		-	-	-	-	-	-
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>III-b</b>	<b>5.319.597</b>	<b>29.242.338</b>	<b>34.561.935</b>	<b>5.051.357</b>	<b>16.356.474</b>	<b>21.407.831</b>
3.1 Hedging Derivative Financial Instruments		790.978	2.357.639	3.148.617	587.700	1.693.496	2.281.196
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		790.978	2.357.639	3.148.617	587.700	1.693.496	2.281.196
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		4.528.619	26.884.699	31.413.318	4.463.657	14.662.978	19.126.635
3.2.1 Forward Foreign Currency Buy/Sell Transactions		776.137	1.127.092	1.903.229	329.245	686.909	1.016.154
3.2.1.1 Forward Foreign Currency Transactions-Buy		467.722	489.075	956.797	205.259	297.660	502.919
3.2.1.2 Forward Foreign Currency Transactions-Sell		308.415	638.017	946.432	123.986	389.249	513.235
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		1.324.656	19.710.327	21.034.983	2.787.163	9.546.973	12.334.136
3.2.2.1 Foreign Currency Swap-Buy		298.885	4.998.204	5.297.089	1.379.714	1.201.567	2.581.281
3.2.2.2 Foreign Currency Swap-Sell		1.025.771	4.321.733	5.347.504	967.449	1.662.682	2.630.131
3.2.2.3 Interest Rate Swap-Buy		-	5.195.195	5.195.195	220.000	3.341.362	3.561.362
3.2.2.4 Interest Rate Swap-Sell		-	5.195.195	5.195.195	220.000	3.341.362	3.561.362
3.2.3 Foreign Currency, Interest rate and Securities Options		2.427.826	6.047.280	8.475.106	1.347.249	4.429.096	5.776.345
3.2.3.1 Foreign Currency Options-Buy		1.259.407	2.980.038	4.239.445	734.860	2.151.650	2.886.510
3.2.3.2 Foreign Currency Options-Sell		1.168.419	3.067.242	4.235.661	612.389	2.277.446	2.889.835
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>34.296.351</b>	<b>26.361.559</b>	<b>60.657.910</b>	<b>29.670.012</b>	<b>19.941.092</b>	<b>49.611.104</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1.552.890</b>	<b>156.878</b>	<b>1.709.768</b>	<b>1.331.012</b>	<b>136.089</b>	<b>1.467.101</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		402.489	61.908	464.397	277.886	31.344	309.230
4.3 Cheques Received for Collection		1.126.344	63.782	1.190.126	985.735	85.790	1.071.525
4.4 Commercial Notes Received for Collection		24.057	23.000	47.057	67.391	18.955	86.346
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	8.188	8.188	-	-	-
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>32.743.461</b>	<b>26.203.434</b>	<b>58.946.895</b>	<b>28.339.000</b>	<b>19.802.011</b>	<b>48.141.011</b>
5.1 Marketable Securities		1.031	1.031	2.650	-	2.650	-
5.2 Guarantee Notes		21.097.082	12.190.553	33.287.635	18.791.720	9.532.145	28.323.865
5.3 Commodity		1.022.137	7.706	1.029.843	963.418	9.139	972.557
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		9.986.136	11.113.311	21.099.447	8.098.494	7.156.032	15.254.526
5.6 Other Pledged Items		637.075	2.891.864	3.528.939	482.718	3.104.695	3.587.413
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	<b>1.247</b>	<b>1.247</b>	-	<b>2.992</b>	<b>2.992</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>40.942.153</b>	<b>57.106.492</b>	<b>98.048.645</b>	<b>36.121.292</b>	<b>37.937.380</b>	<b>74.058.672</b>

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

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

**BURGAN BANK A.Ş.**

**UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED**

**31 DECEMBER 2017 AND 31 DECEMBER 2016**

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

III. INCOME STATEMENT	Note (Section Five)	01/01/2017-31/12/2017	01/01/2016-31/12/2016
INCOME AND EXPENSE ITEMS			
<b>I. INTEREST INCOME</b>	<b>IV-a</b>	<b>1.445.845</b>	<b>1.143.862</b>
1.1 Interest on Loans		1.132.453	831.659
1.2 Interest Received from Reserve Requirements		20.438	9.570
1.3 Interest Received from Banks		25.248	1.969
1.4 Interest Received from Money Market Transactions		3.152	7.574
1.5 Interest Received from Marketable Securities Portfolio		39.338	39.864
1.5.1 Trading Financial Assets		2.709	3.247
1.5.2 Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3 Available-for-sale Financial Assets		29.327	34.778
1.5.4 Held-to-maturity Investments		7.302	1.839
1.6 Financial Lease Income		-	-
1.7 Other Interest Income	IV-1	225.216	253.226
<b>II. INTEREST EXPENSE (-)</b>	<b>IV-b</b>	<b>1.002.944</b>	<b>776.088</b>
2.1 Interest on Deposits		567.753	399.605
2.2 Interest on Funds Borrowed		154.908	95.467
2.3 Interest Expense on Money Market Transactions		12.660	16.724
2.4 Interest on Securities Issued		-	4.383
2.5 Other Interest Expenses	IV-1	267.623	259.909
<b>III. NET INTEREST INCOME (I + II)</b>		<b>442.901</b>	<b>367.774</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>31.016</b>	<b>23.180</b>
4.1 Fees and Commissions Received		39.499	28.702
4.1.1 Non-cash Loans		18.450	14.417
4.1.2 Other	IV-1	21.049	14.285
4.2 Fees and Commissions Paid (-)		8.483	5.522
4.2.1 Non-cash Loans (-)		40	22
4.2.2 Other (-)	IV-1	8.443	5.500
<b>V. DIVIDEND INCOME</b>	<b>IV-c</b>	<b>328</b>	<b>328</b>
<b>VI. TRADING INCOME/(LOSS) (Net)</b>	<b>IV-d</b>	<b>17.448</b>	<b>22.672</b>
6.1 Trading Gains/(Losses) on Securities		4.079	6.025
6.2 Trading Gains/(Losses) on Derivative Financial Instruments		18.387	9.911
6.3 Foreign Exchange Gains/(Losses)		(5.018)	6.736
<b>VII. OTHER OPERATING INCOME</b>	<b>IV-e</b>	<b>14.607</b>	<b>9.254</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>506.300</b>	<b>423.208</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>IV-f</b>	<b>82.500</b>	<b>69.492</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>IV-g</b>	<b>301.299</b>	<b>267.380</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII+IX+X)</b>		<b>122.501</b>	<b>86.336</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-
<b>XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>17.168</b>	<b>5.026</b>
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>IV-h</b>	<b>139.669</b>	<b>91.362</b>
<b>XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)</b>	<b>IV-i</b>	<b>29.821</b>	<b>19.689</b>
16.1 Current Tax Provision		14.431	6.478
16.2 Deferred Tax Provision		15.390	13.211
<b>XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV+XVI)</b>	<b>IV-j</b>	<b>109.848</b>	<b>71.673</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
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		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
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		-	-
<b>XX. INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII+XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX+XXI)</b>		-	-
<b>XXIII. NET INCOME/(LOSS) (XVII+XXII)</b>	<b>IV-k</b>	<b>109.848</b>	<b>71.673</b>
Earnings/(Loss) per share (1.000 nominal in TL full)		1.221	0.796

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



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

BURGAN BANK A.Ş.

UNCONSOLIDATED STATEMENTS OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

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

<b>IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>5.816</b>	<b>(8.130)</b>
<b>II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>	<b>150</b>	<b>1.256</b>
<b>III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>
<b>IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>-</b>	<b>-</b>
<b>V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	<b>24.217</b>	<b>15.874</b>
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	<b>-</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS(*)</b>	<b>(828)</b>	<b>215</b>
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS</b>	<b>694</b>	<b>1.011</b>
<b>IX. DEFERRED TAX ON VALUATION DIFFERENCES</b>	<b>(4.980)</b>	<b>(1.843)</b>
<b>X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>25.069</b>	<b>8.383</b>
<b>XI. CURRENT PERIOD INCOME/LOSS</b>	<b>109.848</b>	<b>71.673</b>
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	1.946	3.634
11.2 Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3 Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4 Other	107.902	68.039
<b>XII. TOTAL (INCOME)/LOSS RELATED TO THE CURRENT PERIOD (X+XI)</b>	<b>134.917</b>	<b>80.056</b>

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

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

BURGAN BANK A.Ş.

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
PRIOR PERIOD 31/12/2016	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Shareholders' Equity	
I. Prior Period End Balance(31/12/2015)	II-1	900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502	
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. New Balance (I + II)		900.000	-	-	-	19.107	-	68.098	(2.547)	52.169	(46.285)	(2.378)	15.122	-	9.216	-	1.012.502	
Changes in the Period																		
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(6.427)	-	-	-	-	(6.427)	
VI. Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	12.699	-	12.699	
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	12.699	-	12.699	
6.2 Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	1.005	-	-	-	1.005	
VIII. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	934	-	-	-	-	934	
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Other		-	-	-	-	-	-	-	172	-	-	-	-	-	-	-	172	
XIX. Current Year Income or Loss		-	-	-	-	-	-	-	-	71.673	-	-	-	-	-	-	71.673	
XX. Profit Distribution		-	-	-	-	1.071	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-	
20.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2 Transfers to Reserves		-	-	-	-	1.071	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-	
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+...+XX)		900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	

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

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

BURGAN BANK A.Ş.

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

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																		
<b>CURRENT PERIOD</b> 31/12/2017	<b>Note</b> <b>(Section</b> <b>Five)</b>	<b>Paid-in</b> <b>Capital</b>	<b>Adjustment</b> <b>to Share</b> <b>Capital</b>	<b>Share</b> <b>Premium</b>	<b>Share</b> <b>Cancellation</b> <b>Profits</b>	<b>Legal</b> <b>Reserves</b>	<b>Status</b> <b>Reserves</b>	<b>Extraordinary</b> <b>Reserves</b>	<b>Other</b> <b>Reserves</b>	<b>Current</b> <b>Period Net</b> <b>Income/(Loss)</b>	<b>Prior Period Net</b> <b>Income/(Loss)</b>	<b>Marketable</b> <b>Securities</b> <b>Valuation</b> <b>Reserve</b>	<b>Tangible</b> <b>and</b> <b>Intangible</b> <b>Assets</b> <b>Revaluation</b> <b>Reserve</b>	<b>Bonus Shares</b> <b>Obtained</b> <b>from</b> <b>Investments</b>	<b>Hedging</b> <b>Reserves</b>	<b>Valuation</b> <b>Difference of</b> <b>AHS and</b> <b>Discontinued</b> <b>Operations</b>	<b>Shareholders'</b> <b>Equity</b>	
<b>I. Prior Period End Balance(31/12/2016)</b>	<b>II-1</b>	900.000	-	-	-	20.178	-	72.911	(2.375)	71.673	-	(7.871)	16.127	-	21.915	-	1.092.558	
<b>Changes in the Period</b>																		
<b>II. Increase/Decrease due to the Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	3.795	-	-	-	-	3.795	
<b>IV. Hedging Reserves (Effective Portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	18.341	-	18.341	
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	18.341	-	18.341	
4.2 Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>V. Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	1.948	-	-	-	1.948	
<b>VI. Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Foreign Exchange Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Changes due to the Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Changes due to the Reclassification of the Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Effects of Changes in Equity of Investments in Associates</b>		-	-	-	-	-	-	-	-	-	-	1.567	-	-	-	-	1.567	
<b>XII. Capital Increase</b>		285.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285.000	
12.1 Cash		285.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	285.000	
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIII. Share Premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIV. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XV. Adjustment to Share Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVI. Other</b>		-	-	-	-	-	-	-	(582)	-	-	-	-	-	-	-	(582)	
<b>XVII. Current Year Income or Loss</b>		-	-	-	-	-	-	-	-	109.848	-	-	-	-	-	-	109.848	
<b>XVIII. Profit Distribution</b>		-	-	-	-	1.164	-	70.509	-	(71.673)	-	-	-	-	-	-	-	
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.2 Transfers to Reserves		-	-	-	-	1.164	-	70.509	-	(71.673)	-	-	-	-	-	-	-	
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Period End Balance (I+ ...+XVIII)</b>		1.185.000	-	-	-	21.342	-	143.420	(2.957)	109.848	-	(2.509)	18.075	-	40.256	-	1.512.475	

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

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

BURGAN BANK A.Ş.

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

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

<b>VI. CASH FLOW STATEMENT</b>		<b>Note</b>	<b>(31/12/2017)</b>	<b>(31/12/2016)</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>163.984</b>	<b>(18.843)</b>
1.1.1	Interest Received		1.356.614	1.032.880
1.1.2	Interest Paid		(949.841)	(766.221)
1.1.3	Dividend Received		328	328
1.1.4	Fees and Commissions Received		31.885	27.109
1.1.5	Other Income		-	-
1.1.6	Collections from Previously Written-off Loans and Other Receivables		59.567	80.052
1.1.7	Payments to Personnel and Service Suppliers		(146.315)	(137.790)
1.1.8	Taxes Paid	VI-b	(22.125)	(7.941)
1.1.9	Other		(166.129)	(247.260)
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>		<b>(79.352)</b>	<b>(405.501)</b>
1.2.1	Net (Increase)/Decrease in Trading Securities		7.323	(2.826)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Due from Banks		(20.727)	(186.213)
1.2.4	Net (Increase)/Decrease in Loans		(2.607.496)	(2.466.963)
1.2.5	Net (Increase)/Decrease in Other Assets		2.855	(49.772)
1.2.6	Net Increase/(Decrease) in Bank Deposits		36.829	6.755
1.2.7	Net Increase/(Decrease) in Other Deposits		555.934	1.600.715
1.2.8	Net Increase/(Decrease) in Funds Borrowed		2.066.706	567.484
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	VI-b	(120.776)	125.319
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>84.632</b>	<b>(424.344)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>251.052</b>	<b>(59.584)</b>
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(6.025)	(20.028)
2.4	Disposals of Property and Equipment		12.977	2.131
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(105.204)	(331.917)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		349.304	451.837
2.7	Cash Paid for Purchase of Investment Securities		-	(161.607)
2.8	Cash Obtained from Sale of Investment Securities		-	-
2.9	Other		-	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>285.000</b>	<b>527.880</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	677.880
3.2	Cash Used for Repayment Of Funds Borrowed and Securities Issued		-	(150.000)
3.3	Issued Capital Instruments		285.000	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(18.947)</b>	<b>38.302</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>601.737</b>	<b>82.254</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at Beginning of the Period</b>	VI-a	<b>634.416</b>	<b>552.162</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at end of the Period</b>	VI-a	<b>1.236.153</b>	<b>634.416</b>

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

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

**BURGAN BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION STATEMENTS AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016**

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

<b>VII. PROFIT APPROPRIATION STATEMENT</b>	<b>(31/12/2017)(*)</b>	<b>(31/12/2016)(**)</b>
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	139.669	91.362
1.2 TAXES AND DUTIES PAYABLE (-)	29.821	19.689
1.2.1 Corporate Tax (Income tax)	14.431	6.478
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	15.390	13.211
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>109.848</b>	<b>71.673</b>
1.3 PRIOR YEAR LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	1.164
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>-</b>	<b>70.509</b>
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	-	70.509
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
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 (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
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 ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES ( % )	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES ( % )	-	-

(\*) TL 17.168 of net profit, represents net profit/loss of subsidiaries which the Bank applies equity accounting method under the principals of TAS 27 and such amount cannot be subject to profit distributions. Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(\*\*) Contains "Profit Appropriation Statement" approved by the Bank's General Assembly held on 30 March 2017, TL 5.026 includes the effects of TAS 27 standard.

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

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION:**

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

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

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

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

Accounting policies and procedures, tracked during the preparation of financial statements, are determined and applied in accordance with regulations, communiqué, declarations and circulars published related to accounting and financial reporting principles by Banking Regulation and Supervision Authority (BRSA) and the principles existing in scope of TAS/TFRS if there are no specific arrangement made by the BRSA. The aforementioned accounting policies are coherent with those applied in financial statements prepared related to accounting period ending on 31 December 2016 except for the amendment which is explained under “Remarks regarding amendments in demonstration of financial statements and accounting policies”.

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

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

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**ACCOUNTING POLICIES (Continued)**

**I. BASIS OF PRESENTATION (Continued):**

The aforementioned accounting policies and valuation principles are explained between footnotes numbered II and XXVIII below. The new and amended TAS/IFRS provisions effective as of 1 January 2017 did not have a significant impact on the accounting policies, financial position and performance of the Bank. TAS/IFRS amendments, published but not entered into force as of effective date of financial statements changes, (extracted TAS 9 financial instruments standard which will be effective as of 1 January 2018) shall not have a significant impact on the accounting policies, financial position and performance of the Bank. The effect of IFRS 9 financial instruments standards will increase the amount of loan provisions.

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

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

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

The Bank recognized its associates, in which it has direct or indirect shares, according to equity method in accordance with the Communique having a permission to be applied earlier while preparing its unconsolidated financial tables with the 4th quarter of 2015 in conjunction with the approval letter of Banking Regulation and Supervision Authority (BRSA) dated 20 July 2015 and realized the implementation retrospectively in the framework of TAS 8 Accounting Policies, Amendments and Errors in Accounting Estimates standard.

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

**c. Explanation for convenience translation into English:**

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

As of 31 December 2017, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,7719 and TL 4,5155 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 group firms are not the currency of a high inflationary economy.

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

Unconsolidated financial associates are recognized according to equity method in the framework of TAS 28 Communique on Investments in Subsidiaries and Associates with respect to TAS27 Separate Financial Statements Communique in unconsolidated financial statements. Associates, which were recognized with cost value in the unconsolidated financial statement previously, are recognized according to equity method as of 31 December 2015 along with the year-end of 2015.

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

The Bank has no joint ventures as of 31 December 2017 and 31 December 2016.



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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE:**

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

**VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE:**

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS:**

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS(Continued):**

**b. Held-to-maturity financial assets:**

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

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

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

**c. Loans and receivables:**

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued):**

**d. Available-for-sale financial assets:**

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

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

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

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS:**

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS:**

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

The Bank has no discontinued operations.

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS:**

**a. Goodwill**

As of 31 December 2017, the Bank has no goodwill (31 December 2016: None).

**b. Other intangible assets**

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

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

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**ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT:**

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

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

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

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

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

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

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

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS:**

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the “lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset.

Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a “Provision for value decrease” is recognised. Liabilities arising from the leasing transactions are included in “Financial Lease Payables” on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement. The Bank does not provide financial leasing services as a “Lessor”.

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

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**ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS:**

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

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

**XVI. EXPLANATIONS ON CONTINGENT ASSETS:**

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

**XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS:**

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**XVIII. EXPLANATIONS ON TAXATION:**

**a. Current tax:**

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

In accordance with the Temporary Article 10 and Article 32 paragraph 1 added to the Corporate Tax Law at 05 December 2017, the Corporate Tax rate which was 20% will be applied as 22% for corporate earnings for the taxation periods of 2018, 2019 and 2020.

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

Corporations are required to pay advance corporate tax quarterly 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.

75% portion of the capital gains derived from the sale of equity investments and immovable properties before 05.12.2017, the 50% portion of the capital gains derived from the sale of equity investments and immovable properties after 05.12.2017 are tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder’s equity for 5 years. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

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

**b. Deferred tax:**

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

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.



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**ACCOUNTING POLICIES (Continued)**

**XIX. EXPLANATIONS ON BORROWINGS:**

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

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

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

**XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES:**

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

**XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES:**

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

**XXII. EXPLANATIONS ON GOVERNMENT GRANTS:**

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

**XXIII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION:**

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

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

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**ACCOUNTING POLICIES (Continued)**

**XXIV. EXPLANATIONS ON EARNINGS PER SHARE:**

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

	<b>31 December 2017</b>	<b>31 December 2016</b>
Net Income / (Loss) to be Appropriated to Ordinary Shareholders	109.848	71.673
Weighted Average Number of Issued Ordinary Shares (Thousand)	90.000.000	90.000.000
<b>Earnings Per Ordinary Shares (Disclosed as 1.000 nominal in full TL)</b>	<b>1,221</b>	<b>0,796</b>

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

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

**XXV. EXPLANATIONS ON RELATED PARTIES:**

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

**XXVI. EXPLANATIONS ON CASH AND CASH EQUIVALENTS:**

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

**XXVII. EXPLANATIONS ON SEGMENT REPORTING:**

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

**XXVIII. RECLASSIFICATIONS:**

None.

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**SECTION FOUR**

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

**I. EXPLANATIONS ON EQUITY:**

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

As of 31 December 2017 Bank’s total capital has been calculated as TL 2.650.685, Capital adequacy ratio is 19,60%. As of 31 December 2016, Bank’s total capital amounted to TL 2.153.671, Capital adequacy ratio was 17,66% calculated pursuant to former regulations.

**a. Information about total capital:**

	<b>Current Period 31 December 2017</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>	<b>Prior Period 31 December 2016</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.185.000		900.000	
Share issue premiums	-		-	
Reserves	164.946		93.273	
Gains recognized in equity as per TAS	60.036		39.053	
Profit	109.848		71.673	
Current Period Profit	109.848		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	-		-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1.519.830</b>		<b>1.103.999</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>				
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-		-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	7.355		11.441	
Improvement costs for operating leasing	15.642		15.454	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	35.918	44.897	27.682	46.136
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	40.256		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	-		-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>99.171</b>		<b>76.492</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1.420.659</b>		<b>1.027.507</b>	

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

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

**I. EXPLANATIONS ON EQUITY (Continued):**

	Current Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
<b>ADDITIONAL TIER I CAPITAL</b>				
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)	-		-	
<b>Additional Tier I Capital before Deductions</b>	-		-	
<b>Deductions from Additional Tier I Capital</b>				
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	-		-	
<b>Transition from the Core Capital to Continue to deduce Components</b>				
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	8.979		18.454	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-		-	
<b>Total Deductions From Additional Tier I Capital</b>	-		-	
<b>Total Additional Tier I Capital</b>	-		-	
<b>Total Tier I Capital (Tier I Capital+Common Equity+Additional Tier I Capital)</b>	<b>1.411.680</b>		<b>1.009.053</b>	
<b>TIER II CAPITAL</b>				
Debt instruments and share issue premiums deemed suitable by the BRSA	-		-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	1.131.570		1.055.760	
Provisions (Article 8 of the Regulation on the Equity of Banks)	107.566		90.245	
<b>Tier II Capital Before Deductions</b>	<b>1.239.136</b>		<b>1.146.005</b>	
<b>Deductions From Tier II Capital</b>				
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.	131		835	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-		-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-		-	
Other items to be defined by the BRSA (-)	-		-	
<b>Total Deductions from Tier II Capital</b>	<b>131</b>		<b>835</b>	
<b>Total Tier II Capital</b>	<b>1.239.005</b>		<b>1.145.170</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2.650.685</b>		<b>2.154.223</b>	
<b>Deductions from Total Capital</b>				
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 (-)	-		-	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>				
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-		-	

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK  
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**I. EXPLANATIONS ON EQUITY (Continued):**

	Current Period 31 December 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
<b>TOTAL CAPITAL</b>				
Total Capital	2.650.685		2.153.671	
Total risk weighted amounts	13.526.423		12.193.142	
<b>Capital Adequacy Ratios</b>				
Core Capital Adequacy Ratio (%)	10,50		8,43	
Tier I Capital Adequacy Ratio (%)	10,44		8,28	
Capital Adequacy Ratio (%)	19,60		17,66	
<b>BUFFERS</b>				
Total buffer requirement (a+b+c)	1,250		0,625	
a.Capital conservation buffer requirement (%)	1,250		0,625	
b.Bank specific counter-cyclical buffer requirement (%)	-		-	
c. Systematic significant buffer (%)	-		-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,00		3,93	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>				
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital				
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-		-	
Remaining mortgage servicing rights	-		-	
Amount arising from deferred tax assets based on temporary differences	-		-	
<b>Limits related to provisions considered in Tier II calculation</b>	17.587		15.650	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)				
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	107.566		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	107.566		90.245	
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	-		-	
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>				
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):**

**b. Information on instruments related to equity estimation**

<b>Details on Subordinated Liabilities</b>		
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)	565.785	565.785
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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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK  
(Continued)**

**II. EXPLANATIONS ON CREDIT RISK:**

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

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

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

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

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

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

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

**II. EXPLANATIONS ON CREDIT RISK (Continued):**

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

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

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

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

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

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

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



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

**II. EXPLANATIONS ON CREDIT RISK (Continued):**

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

In the current period, the share of the Bank’s receivables due to cash loans extended to its top 100 and top 200 customers are 66%, 75% (31 December 2016: 67% and 77%) within the total cash loan portfolio.

In the current period, the share of the Bank’s receivables due to non-cash loans extended to its top 100 and top 200 customers are 47%, 64% (31 December 2016: 49% and 63%) within the total non-cash loans portfolio.

In the current period, the share of the Bank’s receivables due to the total of cash and non cash loans extended to its top 100 and top 200 customers are 64%, 74% (31 December 2016: 64% and 75%) within cash loans in balance sheet and non-cash loans in off-balance sheet.

As of 31 December 2017, the Bank’s general provision for loans amounting to TL 107.566 (31 December 2016: TL 90.245).

**a. Information on types of loans and specific provisions:**

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

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

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

**II. EXPLANATIONS ON CREDIT RISK (Continued):**

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

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

<b>31 December 2016</b>	<b>Corporate</b>	<b>Consumer</b>	<b>Credit Cards</b>	<b>Factoring Receivables</b>	<b>Total</b>
Past due 0-30 days	645.201	19.105	779	819	665.904
Past due 30-60 days	20.270	6.236	-	-	26.506
Past due 60-90 days	28.079	2.369	-	-	30.448
<b>Total</b>	<b>693.550</b>	<b>27.710</b>	<b>779</b>	<b>819</b>	<b>722.858</b>

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

<b>31 December 2017</b>	<b>Financial Assets at Fair Value through P/L (Net)</b>	<b>Available for Sale Financial Assets (Net)</b>	<b>Held to Maturity Securities (Net)</b>	<b>Total</b>
<b>Moody’s Rating</b>				
Baa1(*)	5.310	247.367	171.218	423.895
<b>Total</b>	<b>5.310</b>	<b>247.367</b>	<b>171.218</b>	<b>423.895</b>

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

<b>31 December 2016</b>	<b>Financial Assets at Fair Value through P/L (Net)</b>	<b>Available for Sale Financial Assets (Net)</b>	<b>Held to Maturity Securities (Net)</b>	<b>Total</b>
<b>Moody’s Rating</b>				
Baa3(*)	12.815	508.745	161.607	683.167
<b>Total</b>	<b>12.815</b>	<b>508.745</b>	<b>161.607</b>	<b>683.167</b>

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

**d. Information on rating concentration:**

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

	<b>31 December 2017</b>	<b>31 December 2016</b>
Above average (%)	6,64	8,19
Average (%)	68,07	65,63
Below average (%)	21,49	24,11
Not rated (%)	3,80	2,06

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(Continued)**

**II. EXPLANATIONS ON CREDIT RISK (Continued):**

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

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

<b>31 December 2016</b>	<b>Corporate Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Factoring Receivables</b>	<b>Total</b>
Loans under close monitoring	271.606	9.398	88	-	281.092
Non-performing loans	97.476	1.097	213	1.268	100.054
<b>Total</b>	<b>369.082</b>	<b>10.495</b>	<b>301</b>	<b>1.268</b>	<b>381.146</b>

<b>Type of Collaterals</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Real-estate mortgage	458.772	364.353
Pledge	12.565	12.917
Cash and cash equivalents	131.407	3.876
<b>Total</b>	<b>602.744</b>	<b>381.146</b>

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

**II. EXPLANATIONS ON CREDIT RISK (Continued):**

**f. Profile of significant exposures in major regions:**

	Exposure Categories (*)																Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		17
<b>31 December 2017</b>																		
Domestic	3.511.977	-	285	-	-	46.962	8.661.811	538.359	4.149.017	163.356	-	-	-	-	-	-	526.310	17.598.077
EU Countries	-	-	-	-	-	661.399	14	39	-	-	-	-	-	-	-	-	-	661.452
OECD Countries (**)	-	-	-	-	-	3.608	-	-	-	-	-	-	-	-	-	-	-	3.608
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	7.932	-	9	-	-	-	-	-	-	-	-	-	7.941
Other Countries	-	-	-	-	-	132.256	171	18	-	-	-	-	-	-	-	-	-	132.445
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.511.977</b>	<b>-</b>	<b>285</b>	<b>-</b>	<b>-</b>	<b>852.157</b>	<b>8.661.996</b>	<b>538.425</b>	<b>4.149.017</b>	<b>163.356</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>526.310</b>	<b>18.403.523</b>

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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**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	
<b>31 December 2016</b>																	
Domestic	2.023.524	-	952	-	-	455.449	7.776.340	196.496	3.759.132	111.799	-	-	-	-	-	469.329	<b>14.793.021</b>
EU Countries	-	-	-	-	-	597.915	260	37	1	-	-	-	-	-	-	-	<b>598.213</b>
OECD Countries (**)	-	-	-	-	-	673	-	-	-	-	-	-	-	-	-	-	<b>673</b>
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	4.829	1	2	-	-	-	-	-	-	-	-	<b>4.832</b>
Other Countries	-	-	-	-	-	1.245	131	15	-	-	-	-	-	-	-	-	<b>1.391</b>
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2.023.524</b>	<b>-</b>	<b>952</b>	<b>-</b>	<b>-</b>	<b>1.060.111</b>	<b>7.776.732</b>	<b>196.550</b>	<b>3.759.133</b>	<b>111.799</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>469.329</b>	<b>15.398.130</b>

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

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

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

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

**II. EXPLANATIONS ON CREDIT RISK (Continued):**

**g. Risk profile according to sectors and counterparties:**

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

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

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

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

**II. EXPLANATIONS ON CREDIT RISK (Continued):**

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

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	1.285	18.457	186.842	36.818	2.241.671
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	272	-	-	-	13
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	173.966	177.651	134.569	12.526	334.761
Claims on corporates	1.003.059	580.011	702.928	1.376.752	4.999.246
Claims included in the regulatory retail portfolios	21.812	17.451	23.125	62.233	413.802
Claims secured by residential property	110.566	124.944	118.972	209.386	3.585.151
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
<b>Total</b>	<b>1.310.960</b>	<b>918.514</b>	<b>1.166.436</b>	<b>1.697.715</b>	<b>11.574.644</b>

**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 Fitch Credit Rating Institution ratings. Fitch Credit Rating Institution ratings are taken into consideration when evaluating the entire class of receivables from central governments or central banks and receivable portfolios from financial institutions. The Fitch Rating assigned to a debtor is valid for all of the debtor’s assets, no exception is made for a specific category of assets. A Credit Rating Institution which is not included in the institution’s mapping table is not taken into consideration in the credit risk amount calculation process. For receivables that do not have a rating note, the regulations specified in the “Communiqué” are followed.

**j. Exposures by risk weights:**

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

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

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

**l. Information about Value Adjustment and Change in Provisions:**

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

(\*) The other adjustment column for the remaining amounts consists of exchange rate differences of free and general allowance amounts, which are set as foreign currency.

(\*\*) Uncompensated non-performing loans provisions includes specific allowance amounts, free allowance amounts and cheque-book allowance that the Bank classifies 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 BANK (Continued):**

**III. EXPLANATIONS ON RISK MANAGEMENT:**

**Risk Management Approach and Risk Weighted Amounts**

**a. Risk Management Approach of the Bank:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

**4. Main components and scope of Risk measurement systems:**

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

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT(Continued):**

**6. Disclosures on Stress Test:**

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

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

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

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

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

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

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

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

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

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(Continued)**

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

**b. Overview of RWA**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of the date 31 December 2017:

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

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	Prior Period	Current Period
		31 December 2017	31 December 2016	31 December 2017
1	Credit risk (excluding counterparty credit risk) (CCR)	12.345.238	11.245.475	987.619
2	Standardised approach (SA)	12.345.238	11.245.475	987.619
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	380.220	296.569	30.418
5	Standardised approach for counterparty credit risk (SA-CCR)	380.220	296.569	30.418
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	115.709	99.079	9.257
17	Standardised approach (SA)	115.709	99.079	9.257
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	685.256	552.019	54.820
20	Basic indicator approach	685.256	552.019	54.820
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>13.526.423</b>	<b>12.193.142</b>	<b>1.082.114</b>

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(Continued)**

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

**c. Linkages between financial statements and risk amounts**

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

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

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

**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 Bank.

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

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

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

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

**d. Credit Risk Disclosures**

**1. General Qualitative Information on Credit Risk**

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

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

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

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



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

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

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

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

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

**2. Credit quality of assets**

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

**3. Changes in stock of defaulted loans and debt securities**

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

**4. Additional disclosures related to credit quality of assets:**

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

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

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

None.

- iii. Descriptions of methods used while determining provision amounts:**

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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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK  
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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 2017	31 December 2016
1	Domestic	15.364.645	12.598.150
2	European Union Countries	15.850	67.977
3	OECD Countries **	-	-
4	Off-shore Banking Regions	-	-
5	USA, Canada	-	-
6	Other Countries	691	1.636
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-
8	Unallocated Assets / Liabilities***	-	-
9	<b>Total</b>	<b>15.381.186</b>	<b>12.667.763</b>

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

	31 December 2016	31 December 2017	31 December 2016
1	<b>Agriculture</b>	<b>45.857</b>	<b>52.055</b>
2	Farming and Stockbreeding	40.799	36.179
3	Forestry	45	131
4	Fishery	5.013	15.745
5	<b>Manufacturing</b>	<b>4.249.695</b>	<b>3.585.740</b>
6	Mining and Quarrying	696.885	467.344
7	Production	2.860.885	2.569.386
8	Electricity, Gas and Water	691.925	549.010
9	<b>Construction</b>	<b>4.289.802</b>	<b>3.991.095</b>
10	<b>Services</b>	<b>4.989.292</b>	<b>4.611.671</b>
11	Wholesale and Retail Trade	1.511.367	1.656.798
12	Accommodation and Dining	1.164.710	898.927
13	Transportation and Telecom	574.441	432.348
14	Financial Institutions	1.114.421	961.469
15	Real Estate and Rental Services	535.828	555.574
16	Professional Services	13.391	17.027
17	Educational Services	24.601	15.697
18	Health and Social Services	50.533	73.831
19	Other	1.806.540	427.202
20	<b>Total</b>	<b>15.381.186</b>	<b>12.667.763</b>

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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 2017	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
Cash and Non-cash Loans	2.486.729	1.728.639	3.517.395	6.106.205	1.373.428	168.790	<b>15.381.186</b>
<b>31 December 2016</b>							
Cash and Non-cash Loans	2.379.455	1.863.661	2.448.770	4.615.011	1.249.067	111.799	<b>12.667.763</b>

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

Geographical and sectoral breakdowns of impaired and overdue receivables and provisions made for those receivables and value adjustments are in the below table and all amounts included are domestic. There is no provision amount written-off from assets in current year.

	31 December 2017		31 December 2016	
	Non Performing Loan	Special Provision	Non Performing Loan	Special Provision
<b>1 Agriculture</b>	<b>6.885</b>	<b>5.730</b>	<b>6.362</b>	<b>2.579</b>
2 Farming and Stockbreeding	6.263	5.132	5.774	1.991
3 Forestry	566	542	532	532
4 Fishery	56	56	56	56
<b>5 Manufacturing</b>	<b>131.296</b>	<b>82.920</b>	<b>99.310</b>	<b>52.192</b>
6 Mining and Quarrying	14.869	12.611	17.380	11.634
7 Production	116.230	70.112	81.733	40.459
8 Electricity, Gas and Water	197	197	197	99
<b>9 Construction</b>	<b>91.281</b>	<b>32.147</b>	<b>37.385</b>	<b>21.944</b>
<b>10 Services</b>	<b>104.968</b>	<b>54.373</b>	<b>82.288</b>	<b>38.955</b>
11 Wholesale and Retail Trade	78.248	45.792	64.789	33.678
Accommodation and				
12 Dining	6.279	2.779	3.396	758
Transportation and				
13 Telecom	9.008	2.173	2.838	1.366
14 Financial Institutions	1.267	172	15	15
Real Estate and Rental				
15 Services	1.177	496	1.492	513
16 Professional Services	827	827	1.913	486
17 Educational Services	4.932	1.237	4.978	1.285
18 Health and Social Services	3.230	897	2.867	854
19 Other	11.231	7.135	5.872	3.748
<b>20 Total</b>	<b>345.661</b>	<b>182.305</b>	<b>231.217</b>	<b>119.418</b>

**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 measureable and whether they have a second hand market or not. Collaterals accepted by Banks are listed in Corporate Credit Policy and its annexes.

Collaterals, which should be received as a guarantee for each credit 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 loan to value ratio for each customer and credit. If assets traded on markets having higher level of volatility are received as collaterals, a prudential loan to value rate is determined through considering maturity of the credit and price volatility of the asset.

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

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

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

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

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

**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	7.838.230	5.328.963	4.038.071	1.247	1.247	-	-
2	Debt securities	424.025	-	-	-	-	-	-
3	<b>Total</b>	<b>8.262.255</b>	<b>5.328.963</b>	<b>4.038.071</b>	<b>1.247</b>	<b>1.247</b>	-	-
4	Of which defaulted	180.862	-	-	-	-	-	-

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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**

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

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**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

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

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



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**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

**g. Disclosures regarding Counterparty Credit Risk**

**1. Qualitative Disclosures on Counterparty Credit Risk**

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

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

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

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

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

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

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

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

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

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

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

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

**iv. Rules with respect to Counter-trend risk**

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

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**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

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

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

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

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR						
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation					713.004	380.220
4	Comprehensive Method for Credit Risk Mitigation						
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
<b>6</b>	<b>Total</b>						<b>380.220</b>

**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	713.004	96.353
<b>4</b>	<b>Total amount of CVA capital adequacy</b>	<b>713.004</b>	<b>96.353</b>

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**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

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

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

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**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

**5. Composition of collateral for CCR exposure**

Current Period	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	1.172	-
Cash - Foreign Currency	-	-	-	-	198.883	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>200.055</b>	-

**6. Credit derivatives:** None.

**7. Risks to Central Counterparty:** The Bank is not exposed to central counterparty credit risk on non-consolidated basis.

**h . Securitization disclosures:** None.

**j. Disclosures on Market Risk**

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

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

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

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

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**III. EXPLANATIONS ON RISK MANAGEMENT (Continued):**

- ii. Management of market risk is under responsibility of Treasury, Capital Markets and Financial Markets, which generate risk at primary level. Second line controls are provided through independent risk management and internal control functions. Treasury Internal Control Department is established under Market Risk Department and Directorate of Internal Control 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.

**2. Market risk under standardised approach**

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

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**IV. EXPLANATIONS ON OPERATIONAL RISK:**

The amount subject to operational risk is calculated once a year by using the "Basic Indicator Method" in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette dated June 28, 2012 and numbered 28337. The operational risk capital requirement dated 31 December 2017 was calculated using the year 2014, 2015, 2016 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.

	<b>2 Prior Period Value</b>	<b>1 Prior Period</b>	<b>Current Period value</b>	<b>Total / Total number of years for which gross income</b>	<b>Rate (%)</b>	<b>Total</b>
<b>Gross Income</b>	43.406	57.693	63.362	3	15	<b>54.820</b>
<b>Amount subject to operational risk (Total*12,5)</b>	-	-	-	-	-	<b>685.256</b>

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**V. EXPLANATIONS ON CURRENCY RISK:**

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

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

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

	EUR		USD	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>31 December 2017/ 31 December 2016</b>				
<b>Bid rate</b>	<b>TL 4,5155</b>	<b>TL 3,7099</b>	<b>TL 3,7719</b>	<b>TL 3,5192</b>
1. Day bid rate	TL 4,5155	TL 3,7099	TL 3,7719	TL 3,5192
2. Day bid rate	TL 4,5478	TL 3,6939	TL 3,8104	TL 3,5318
3. Day bid rate	TL 4,5385	TL 3,6901	TL 3,8197	TL 3,5329
4. Day bid rate	TL 4,5116	TL 3,6711	TL 3,8029	TL 3,5135
5. Day bid rate	TL 4,5205	TL 3,6639	TL 3,8087	TL 3,5041

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

	EUR		USD	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Arithmetic average-30 days	TL 4,5508	TL 3,6848	TL 3,8440	TL 3,4950



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**V. EXPLANATIONS ON CURRENCY RISK (Continued):**

**Information on currency risk of the Bank:**

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

	EUR	USD	Other FC	Total
<b>31 December 2017</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	12.909	978.284	1.709	992.902
Due From Banks	11.092	141.704	4.505	157.301
Financial Assets at Fair Value Through Profit or Loss (*)	34.803	18.891	9.907	63.601
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	95.695	-	95.695
Loans (*)	5.311.303	2.954.196	-	8.265.499
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	171.218	-	171.218
Hedging Derivative Financial Assets (*)	165	4.148	-	4.313
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	4.082	39.332	1	43.415
<b>Total Assets</b>	<b>5.374.354</b>	<b>4.403.468</b>	<b>16.122</b>	<b>9.793.944</b>
<b>Liabilities</b>				
Bank Deposits	333	92.833	5	93.171
Foreign Currency Deposits	858.169	4.348.754	111.437	5.318.360
Funds From Interbank Money Market	-	198.953	-	198.953
Funds Borrowed From Other Financial Institutions	543.929	4.777.538	1	5.321.468
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	147.297	85.082	265	232.644
Hedging Derivative Financial Liabilities	1.127	11.431	2	12.560
Other Liabilities (*)	11.804	19.615	9.965	41.384
<b>Total Liabilities</b>	<b>1.562.659</b>	<b>9.534.206</b>	<b>121.675</b>	<b>11.218.540</b>
<b>Net On-balance Sheet Position</b>	<b>3.811.695</b>	<b>(5.130.738)</b>	<b>(105.553)</b>	<b>(1.424.596)</b>
<b>Net Off-balance Sheet Position</b>	<b>(3.780.099)</b>	<b>5.138.559</b>	<b>100.381</b>	<b>1.458.841</b>
Financial Derivative Assets	1.038.209	8.162.761	457.352	9.658.322
Financial Derivative Liabilities	4.818.308	3.024.202	356.971	8.199.481
<b>Non-Cash Loans (**)</b>	<b>587.467</b>	<b>708.298</b>	<b>63.371</b>	<b>1.359.136</b>
<b>31 December 2016</b>				
Total Assets (*)	3.788.462	4.968.340	16.656	8.773.458
Total Liabilities (*)	2.387.721	6.589.215	97.713	9.074.649
<b>Net On-balance Sheet Position</b>	<b>1.400.741</b>	<b>(1.620.875)</b>	<b>(81.057)</b>	<b>(301.191)</b>
<b>Net Off-balance Sheet Position</b>	<b>(1.357.925)</b>	<b>1.459.157</b>	<b>81.299</b>	<b>182.531</b>
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	2.086.936	72.216	4.558.573
<b>Non-Cash Loans (**)</b>	<b>464.496</b>	<b>736.527</b>	<b>46.516</b>	<b>1.247.539</b>

(\*)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 831.039 (31 December 2016: TL 878.488) classified as Turkish Lira assets in the 31 December 2017 financial statements are added to the table above; there is no foreign currency indexed loans received in the current period (31 December 2016: None). Besides this, in assets “Income Accruals of Derivative Financial Instruments” amounting to TL 21.351 (31 December 2016: TL 3.769), in liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 54.410 (31 December 2016: TL 9.622), “General Provisions” amounting to TL 64.850 (31 December 2016: TL 53.785), free provision amounting to TL 23.997 (31 December 2016: TL 19.721) and “Marketable Securities Valuation Reserve” with “ Hedging Derivative Financials” amounting to TL 6.230 (31 December 2016: TL 5.014) are not included in the table above.

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

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**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, 2017 and 2016, 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 2017				31 December 2016			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	782	(782)	1.405	(1.405)	(16.172)	16.172	(16.673)	16.673
EUR	3.160	(3.160)	3.160	(3.160)	4.282	(4.282)	4.282	(4.282)
Other currency units	(517)	517	(517)	517	24	(24)	24	(24)
<b>Total, net</b>	<b>3.425</b>	<b>(3.425)</b>	<b>4.048</b>	<b>(4.048)</b>	<b>(11.866)</b>	<b>11.866</b>	<b>(12.367)</b>	<b>12.367</b>

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

**VI. EXPLANATIONS ON INTEREST RATE RISK:**

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

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

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

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

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.975.239	-	-	-	-	52.088	2.027.327
Due From Banks	133.919	-	-	-	-	23.398	157.317
Financial Assets at Fair Value Through Profit/Loss (*)	49.757	104.819	227.327	41.246	3.584	-	426.733
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	220	70.897	-	122.732	53.519	4.224	251.592
Loans	4.720.258	2.749.491	3.177.468	2.379.633	66.897	168.790	13.262.537
Held-to-Maturity Investments	-	-	-	171.218	-	-	171.218
Other Assets	-	-	-	-	-	510.585	510.585
<b>Total Assets</b>	<b>6.879.393</b>	<b>2.925.207</b>	<b>3.404.795</b>	<b>2.714.829</b>	<b>124.000</b>	<b>759.085</b>	<b>16.807.309</b>
<b>Liabilities</b>							
Bank Deposits	86.846	-	-	-	-	6.643	93.489
Other Deposits	5.608.546	2.182.603	712.796	54	-	330.627	8.834.626
Funds From Interbank Money Market	79.177	120.982	-	-	-	-	200.159
Miscellaneous Payables	-	-	-	-	-	272.791	272.791
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1.421.085	3.023.530	903.237	10.635	-	-	5.358.487
Other Liabilities (*) (**)	73.212	51.692	29.737	68.546	114	1.824.456	2.047.757
<b>Total Liabilities</b>	<b>7.268.866</b>	<b>5.378.807</b>	<b>1.645.770</b>	<b>79.235</b>	<b>114</b>	<b>2.434.517</b>	<b>16.807.309</b>
<b>Balance Sheet Long Position</b>	-	-	<b>1.759.025</b>	<b>2.635.594</b>	<b>123.886</b>	-	<b>4.518.505</b>
<b>Balance Sheet Short Position</b>	<b>(389.473)</b>	<b>(2.453.600)</b>	-	-	-	<b>(1.675.432)</b>	<b>(4.518.505)</b>
Off-balance Sheet Long Position	411.91	279.226	823.165	-	-	-	1.514.306
Off-balance Sheet Short Position	5	-	-	(1.339.630)	-	-	(1.339.630)
<b>Total Position</b>	<b>22.442</b>	<b>(2.174.374)</b>	<b>2.582.190</b>	<b>1.295.964</b>	<b>123.886</b>	<b>(1.675.432)</b>	<b>174.676</b>

(\*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 262.867 and other liabilities includes hedging derivative financial liabilities amounting to TL 53.367 classified to a related re-pricing periods.

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

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

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

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

**Interest rate sensitivity analysis :**

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

<b>Change in interest rate 31 December 2016</b>	<b>Profit/ Loss Effect</b>	<b>Effect on funds under equity</b>
(+) 1%	(826)	(13.818)
(-) 1%	890	13.818

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 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.

<b>31 December 2017</b>	<b>EUR</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,50	-	4,00
Due From Banks	-	1,42	-	-
Financial Assets at Fair Value Through Profit/Loss	4,31	5,13	-	10,28
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,32	-	10,20
Loans	5,30	6,89	-	17,09
Held-to-Maturity Investments	-	5,96	-	-
<b>Liabilities</b>				
Bank Deposits	-	1,41	-	-
Other Deposits (*)	1,72	3,96	-	14,09
Funds From Interbank Money Market	-	2,61	-	9,50
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,56	3,89	-	6,64

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

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

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

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

**c. Interest rate risk resulting from banking accounts:**

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

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

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

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

Currency	Applied Shock (+/- x basis point)	Earnings/ Losses	Earnings/ Equities-Losses/ Equities
1. TRY	+500bp	(107.200)	(4,0) %
2. TRY	-400bp	99.108	3,7%
3. EURO	+200bp	(17.891)	(0,7)%
4. EURO	-200bp	(1.882)	(0,1)%
5. USD	+200bp	(15.762)	(0,6)%
6. USD	-200bp	17.623	0,7%
<b>Total (For Negative Shocks)</b>		<b>114.849</b>	<b>4,3%</b>
<b>Total (For Positive Shocks)</b>		<b>(140.853)</b>	<b>(5,3)%</b>

**VII. EXPLANATIONS ON THE SHARE CERTIFICATE POSITION RISK:**

None.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

**Liquidity Coverage Ratio:**

31 December 2017		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	High Quality Liquid Assets			<b>1.898.181</b>	<b>1.523.594</b>
<b>CASH OUTFLOWS</b>					
2	Retail and Small Business Customers Deposits	5.779.074	3.035.614	552.707	303.561
3	Stable deposits	504.001	-	25.200	-
4	Less stable deposits	5.275.073	3.035.614	527.507	303.561
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.393.445	1.802.299	1.119.784	790.977
6	Operational deposits	889.707	789.073	222.427	197.269
7	Non-Operational Deposits	1.229.865	865.128	623.902	445.610
8	Other Unsecured Funding	273.873	148.098	273.455	148.098
9	Secured funding			-	-
10	Other Cash Outflows	49.608	44.346	49.608	44.346
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	49.608	44.346	49.608	44.346
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.578.928	1.526.444	303.670	186.372
16	<b>TOTAL CASH OUTFLOWS</b>			<b>2.025.769</b>	<b>1.325.256</b>
<b>CASH INFLOWS</b>					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.213.387	369.644	836.903	252.071
19	Other contractual cash inflows	18.022	207.655	18.022	207.655
20	<b>TOTAL CASH INFLOWS</b>	<b>1.231.409</b>	<b>577.299</b>	<b>854.925</b>	<b>459.726</b>
				<b>Upper Bound Applied Amounts</b>	
21	<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>1.898.181</b>	<b>1.523.594</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.170.844</b>	<b>865.530</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>162,12</b>	<b>176,03</b>

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

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

31 December 2016		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
<b>1</b>	High Quality Liquid Assets			<b>1.064.234</b>	<b>788.862</b>
<b>CASH OUTFLOWS</b>					
<b>2</b>	Retail and Small Business Customers Deposits	4.882.177	2.716.517	462.514	271.652
<b>3</b>	Stable deposits	514.082	-	25.704	-
<b>4</b>	Less stable deposits	4.368.095	2.716.517	436.810	271.652
<b>5</b>	Unsecured Funding other than Retail and Small Business Customers Deposits	2.109.565	1.432.911	977.382	627.043
<b>6</b>	Operational deposits	879.826	674.920	219.956	168.730
<b>7</b>	Non-Operational Deposits	1.051.389	685.134	579.076	385.456
<b>8</b>	Other Unsecured Funding	178.350	72.857	178.350	72.857
<b>9</b>	Secured funding			22.034	22.034
<b>10</b>	Other Cash Outflows	54.806	157.262	54.806	157.262
<b>11</b>	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	54.806	157.262	54.806	157.262
<b>12</b>	Debts related to the structured financial products	-	-	-	-
<b>13</b>	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
<b>14</b>	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
<b>15</b>	Other irrevocable or conditionally revocable commitments	2.098.544	1.115.552	237.544	131.016
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>			<b>1.754.280</b>	<b>1.209.007</b>
<b>CASH INFLOWS</b>					
<b>17</b>	Secured Lending Transactions	-	-	-	-
<b>18</b>	Unsecured Lending Transactions	980.420	273.477	583.008	201.875
<b>19</b>	Other contractual cash inflows	15.110	147.582	15.110	147.582
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>995.530</b>	<b>421.059</b>	<b>598.118</b>	<b>349.457</b>
				<b>Upper Bound Applied Amounts</b>	
<b>21</b>	<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>1.064.234</b>	<b>788.862</b>
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.156.162</b>	<b>859.550</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>			<b>92,05</b>	<b>91,78</b>

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

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

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

High quality liquid assets of the Bank consist of accounts in Central Bank of Turkey, at a ratio of 90% and securities issued by Undersecretariat of Treasury at a ratio of 7%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 24%, 48% and 16% respectively.

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

Absolute value of net warrant flows realized as of 30 days periods for each transaction and liability are calculated provided that changes in fair values of derivative transactions and other liabilities can form a margin liability in accordance with “Regulation on Calculation of Liquidity Coverage Ratio of Banks” entered into force through publishing in Official Gazette dated 21 March 2014 and numbered 28948. The biggest absolute value, which is calculated in the last 24 months, is taken into consideration as cash outflow. Calculations for derivative transactions and other liabilities, having a flow history shorter than 24 months, are performed from the date in which the transaction is triggered. Information regarding aforementioned cash outflow in 31 December 2017 are as follows:

Date	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
	FC	FC + TL
31 December 2017	10.329	10.329

Liquidity coverage rates are calculated weekly for consolidated basis and monthly for unconsolidated basis as of 31 December 2015 in accordance with “Regulation on Calculation of Liquidity Coverage Ratio of Banks” published in Official Gazette dated 21 March 2014 and numbered 28948. Liquidity coverage rates must be at least 60% for foreign currency assets and liabilities and at least 80% in total assets and liabilities for the period 31 December 2017. Dates and values of lowest and highest foreign currency and total unconsolidated liquidity coverage rates calculated weekly related to the last quarter and average rates are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC+TL	FC	FC + TL
Weekly Arithmetic Average (%)	205,45	202,56	150,60	143,32
Week	29.10.2017	24.12.2017	31.12.2017	08.10.2017

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

**Breakdown of assets and liabilities according to their outstanding maturities:**

31 December 2017	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (***)	Total
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	52.088	1.975.239	-	-	-	-	-	2.027.327
Due From Banks	23.398	133.919	-	-	-	-	-	157.317
Financial Assets at Fair Value Through Profit or Loss (*)	-	37.456	26.019	60.252	291.710	11.296	-	426.733
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	-	220	193.628	53.519	4.225	251.592
Loans	-	1.452.633	1.644.966	2.891.287	5.737.682	1.367.179	168.790	13.262.537
Held-to-Maturity Investments	-	-	-	-	171.218	-	-	171.218
Other Assets (**)	-	20.163	451	14.719	23.837	3.046	448.369	510.585
<b>Total Assets</b>	<b>75.486</b>	<b>3.619.410</b>	<b>1.671.436</b>	<b>2.966.478</b>	<b>6.418.075</b>	<b>1.435.040</b>	<b>621.384</b>	<b>16.807.309</b>
<b>Liabilities</b>								
Bank Deposits	6.643	86.846	-	-	-	-	-	93.489
Other Deposits	330.627	5.608.546	2.182.603	712.796	54	-	-	8.834.626
Funds Borrowed From Other Financial Institutions	-	248.702	50.132	2.105.432	1.813.639	1.140.582	-	5.358.487
Funds From Interbank Money Market	-	1.206	-	68.975	129.978	-	-	200.159
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	228.235	-	-	-	-	44.556	272.791
Other Liabilities (*) (***)	-	144.404	40.014	48.918	115.138	2.167	1.697.116	2.047.757
<b>Total Liabilities</b>	<b>337.270</b>	<b>6.317.939</b>	<b>2.272.749</b>	<b>2.936.121</b>	<b>2.058.809</b>	<b>1.142.749</b>	<b>1.741.672</b>	<b>16.807.309</b>
<b>Net Liquidity Gap</b>	<b>(261.784)</b>	<b>(2.698.529)</b>	<b>(601.313)</b>	<b>30.357</b>	<b>4.359.266</b>	<b>292.291</b>	<b>(1.120.288)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>								
Financial Derivative Assets	-	374.845	275.839	519.968	8.053	1.277	-	1.179.982
Financial Derivative Liabilities	-	4.502.840	1.826.526	931.113	1.480.876	1.848	-	8.743.203
Financial Derivative Liabilities	-	(4.127.995)	(1.550.687)	(411.145)	(1.472.823)	(571)	-	(7.563.221)
<b>Non-cash Loans</b>	<b>-</b>	<b>1.034.096</b>	<b>83.673</b>	<b>626.108</b>	<b>368.523</b>	<b>6.249</b>	<b>-</b>	<b>2.118.649</b>
<b>31 December 2016</b>								
Total Assets	43.267	2.753.650	1.748.204	2.224.458	4.946.127	1.443.331	562.579	13.721.616
Total Liabilities	463.117	5.829.525	2.306.505	2.260.580	419.471	1.138.336	1.304.082	13.721.616
<b>Net Liquidity Gap</b>	<b>(419.850)</b>	<b>(3.075.875)</b>	<b>(558.301)</b>	<b>(36.122)</b>	<b>4.526.656</b>	<b>304.995</b>	<b>(741.503)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>								
Financial Derivative Assets	-	451.497	193.290	48.895	(94.741)	840	-	599.781
Financial Derivative Assets	-	2.349.223	963.496	486.348	798.626	2.101	-	4.599.794
Financial Derivative Liabilities	-	(1.897.726)	(770.206)	(437.453)	(893.367)	(1.261)	-	(4.000.013)
<b>Non-cash Loans</b>	<b>-</b>	<b>1.213.835</b>	<b>176.257</b>	<b>385.465</b>	<b>206.150</b>	<b>529</b>	<b>-</b>	<b>1.982.236</b>

(\*) The 1-5 years maturity period of Financial Assets at Fair Value Through Profit or Loss includes hedging derivative financial assets amounting to TL 262.867 and Other Liabilities includes hedging derivative financial liabilities amounting to TL 53.367 in mainly 1-5 years maturity period.

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

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

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

**Breakdown of financial liabilities according to their remaining contractual maturities:**

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

31 December 2016	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
<b>Liabilities</b>						
Deposits	56.806	-	-	-	-	56.806
Funds borrowed from other financial institutions	5.671.915	2.185.214	431.684	312	-	8.289.125
Funds from money market	51.994	131.479	1.834.843	410.937	1.204.894	3.634.147
Payables to money market	212.180	-	-	129.753	55.923	397.856
<b>Total</b>	<b>5.992.895</b>	<b>2.316.693</b>	<b>2.266.527</b>	<b>541.002</b>	<b>1.260.817</b>	<b>12.377.934</b>

**Derivative instruments of bank, counter-based maturity analysis:**

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

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

<b>31 December 2016</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 months</b>	<b>Above 5 years</b>	<b>Total</b>
<b>Derivative instruments held for trading</b>						
Exchange rate derivatives:						
- Entry	2.341.552	958.975	476.146	72.665	-	3.849.338
- Out	1.890.528	756.847	385.077	71.217	-	3.103.669
Interest rate derivatives:						
- Entry	7.266	2.932	9.553	11.792	2.101	33.644
- Out	6.803	2.003	7.653	10.839	1.261	28.559
<b>Derivative instruments protection from risk</b>						
Exchange rate derivatives:						
- Entry	190	1.522	504	713.925	-	716.141
- Out	-	11.100	44.001	809.547	-	864.648
Interest rate derivatives:						
- Entry	215	67	145	244	-	671
- Out	395	256	722	1.764	-	3.137
<b>Total cash entry</b>	<b>2.349.223</b>	<b>963.496</b>	<b>486.348</b>	<b>798.626</b>	<b>2.101</b>	<b>4.599.794</b>
<b>Total cash out</b>	<b>1.897.726</b>	<b>770.206</b>	<b>437.453</b>	<b>893.367</b>	<b>1.261</b>	<b>4.000.013</b>

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**IX. EXPLANATIONS ON LEVERAGE RATIO:**

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

As of 31 December 2017, leverage ratio of the Bank calculated from the arithmetic average of the three months is 5,91% (31 December 2016: 6,08%). 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 2017 (*)	31 December 2016 (*)
<b>Balance sheet assets</b>		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	16.842.135	13.105.162
(Assets deducted from Core capital)	56.269	56.278
Total risk amount of balance sheet assets	16.785.866	13.048.884
<b>Derivative financial assets and credit derivatives</b>		
Cost of replenishment for derivative financial assets and credit derivatives	360.397	213.654
Potential credit risk amount of derivative financial assets and credit derivatives	117.001	86.615
Total risk amount of derivative financial assets and credit derivatives	477.398	300.269
<b>Financing transactions secured by marketable security or commodity</b>		
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	-	-
<b>Off-balance sheet transactions</b>		
Gross notional amount of off-balance sheet transactions	3.161.106	3.111.949
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.161.106	3.111.949
<b>Capital and total risk</b>		
Core Capital	1.206.141	1.000.354
Total risk amount	20.424.370	16.461.102
<b>Leverage ratio</b>		
Leverage ratio	5,91%	6,08%

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

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**X. EXPLANATIONS ON HEDGE TRANSACTIONS:**

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

The swaps, of which carrying amount is TL 262.867 (31 December 2016: 181.017) derivative financial assets and TL 53.367 derivative financial liabilities (31 December 2016: 29.486), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 18.341 (31 December 2016: TL 12.699 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2016: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds (*)	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	260.119	50.816	36.993	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	2.748	2.551	3.263	-

(\*) Includes TMS27 impacts.

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

It is determined in the measurements carried out as of the date of 31 December 2017 that above mentioned cash flow hedging transactions are effective.



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**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 2017	31 December 2016	31 December 2017	31 December 2016
<b>Financial Assets</b>	<b>13.842.664</b>	<b>11.602.386</b>	<b>13.963.723</b>	<b>11.588.387</b>
Due from Money Market	-	-	-	-
Due from Banks	157.317	239.658	157.317	239.657
Available-for-Sale Financial Assets	251.592	515.594	251.592	515.594
Held-to-maturity Investments	171.218	161.607	171.897	162.239
Loans	13.262.537	10.685.527	13.382.917	10.670.897
<b>Financial Liabilities</b>	<b>14.559.393</b>	<b>11.776.960</b>	<b>14.564.453</b>	<b>11.784.582</b>
Bank Deposits	93.489	56.795	93.480	56.795
Other Deposits	8.834.626	8.253.038	8.838.106	8.259.177
Borrowings	5.358.487	3.264.197	5.360.076	3.265.680
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	272.791	202.930	272.791	202.930

**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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**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:

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

<b>31 December 2016</b>	<b>1<sup>st</sup> Level</b>	<b>2<sup>nd</sup> Level</b>	<b>3<sup>rd</sup> Level</b>	<b>Total</b>
Financial Assets at Fair Value Through Profit or Loss	13.650	111.189	-	124.839
Government Debt Securities	12.815	-	-	12.815
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	111.189	-	111.189
Other Marketable Securities	835	-	-	835
Available for Sale Financial Assets (*)	431.179	84.415	-	515.594
Share Certificates	-	6.849	-	6.849
Government Debt Securities	431.179	-	-	431.179
Other Marketable Securities	-	77.566	-	77.566
Hedging Derivative Financial Assets	-	181.017	-	181.017
<b>Total Assets</b>	<b>444.829</b>	<b>376.621</b>	<b>-</b>	<b>821.450</b>
Trading Derivative Financial Liabilities	-	166.902	-	166.902
Hedging Derivative Financial Liabilities	-	29.486	-	29.486
<b>Total Liabilities</b>	<b>-</b>	<b>196.388</b>	<b>-</b>	<b>196.388</b>

(\*)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.

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

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

**XIII. EXPLANATIONS ON OPERATING SEGMENTS:**

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

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

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

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

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

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

**XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued):**

<b>31 December 2016</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Other and Unclassified</b>	<b>Total Operations of the Bank</b>
Net Interest Income	40.263	286.380	41.131	-	367.774
Net Fees and Comissions	3.969	19.211	-	-	23.180
Commercial Profit/Loss	9.136	11.941	1.595	-	22.672
Other Operating Income	1.585	7.669	-	-	9.254
<b>Operating Income</b>	<b>54.953</b>	<b>325.201</b>	<b>42.726</b>	-	<b>422.880</b>
<b>Operating Costs (-)</b>	<b>40.273</b>	<b>182.424</b>	<b>12.870</b>	<b>101.305</b>	<b>336.872</b>
<b>Net Operating Income</b>	<b>14.680</b>	<b>142.777</b>	<b>29.856</b>	<b>(101.305)</b>	<b>86.008</b>
Dividend Income	-	-	-	328	328
Income/(Loss) from subsidiaries based on equity method	-	-	-	5.026	5.026
<b>Profit Before Tax</b>	<b>14.680</b>	<b>142.777</b>	<b>29.856</b>	<b>(95.951)</b>	<b>91.362</b>
Tax Provisions (-)	2.936	28.555	5.971	(17.773)	19.689
<b>Net Profit / Loss</b>	<b>11.744</b>	<b>114.222</b>	<b>23.885</b>	<b>(78.178)</b>	<b>71.673</b>
<b>31 December 2016</b>					
Segment Assets	691.560	10.724.366	1.811.177	-	13.227.103
Investments in associates, subsidiaries and joint ventures	-	-	-	237.171	237.171
Unallocated Assets	-	-	-	257.342	257.342
<b>Total Assets</b>	<b>691.560</b>	<b>10.724.366</b>	<b>1.811.177</b>	<b>494.513</b>	<b>13.721.616</b>
Segments Liabilities	4.950.035	3.421.576	3.858.095	-	12.229.706
Unallocated Liabilities	-	-	-	1.491.910	1.491.910
<b>Total Liabilities</b>	<b>4.950.035</b>	<b>3.421.576</b>	<b>3.858.095</b>	<b>1.491.910</b>	<b>13.721.616</b>

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**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND NOTES RELATED TO ASSETS**

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

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

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign currency	12.414	39.651	11.493	15.353
CBRT	1.022.011	953.251	149.757	1.142.258
Other	-	-	-	-
<b>Total</b>	<b>1.034.425</b>	<b>992.902</b>	<b>161.250</b>	<b>1.157.611</b>

2. Information on the account of the CBRT:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount	955.529	6.766	149.757	224.976
Time Unrestricted Amount	66.482	-	-	-
Time Restricted Amount	-	946.485	-	917.282
<b>Total</b>	<b>1.022.011</b>	<b>953.251</b>	<b>149.757</b>	<b>1.142.258</b>

3. Information on reserve requirements:

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

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

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

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

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

1. As of 31 December 2017, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2016:None).
2. Positive differences related to derivative financial instruments held for trading:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	23.695	9.926	14.659	1.638
Swap Transactions	52.550	44.250	45.831	28.788
Futures Transactions	-	-	-	-
Options	1.722	26.282	588	19.685
Other	-	-	-	-
<b>Total</b>	<b>77.967</b>	<b>80.458</b>	<b>61.078</b>	<b>50.111</b>

**c. Information on banks:**

1. Information on banks:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	16	1.888	22	223.273
Foreign	-	155.413	-	16.363
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>16</b>	<b>157.301</b>	<b>22</b>	<b>239.636</b>

2. Information on foreign banks

	Unrestricted Amount		Restricted Amount	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
EU Countries	11.617	10.828	-	-
USA, Canada	7.932	4.829	-	-
OECD Countries (*)	3.608	470	-	-
Off-shore Banking Regions	-	-	-	-
Others	132.256	236	-	-
<b>Total</b>	<b>155.413</b>	<b>16.363</b>	<b>-</b>	<b>-</b>

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

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

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

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

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

As of 31 December 2017, there are TL 53.202 available-for-sale financial assets given as collateral/blocked (31 December 2016: TL 29.408) and those subject to repurchase agreements amounts to TL 96.867 (31 December 2016: TL 295.810).

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

	31 December 2017	31 December 2016
Debt Securities	249.658	515.136
Quoted on Stock Exchange	249.658	515.136
Not Quoted	-	-
Share Certificates	4.225	6.849
Quoted on Stock Exchange	-	-
Not Quoted	4.225	6.849
Impairment Provision (-)	2.291	6.391
<b>Total</b>	<b>251.592</b>	<b>515.594</b>

**e. Explanations on loans:**

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

	31 December 2017		31 December 2016	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	-	-	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	4.660	-	6.288	-
<b>Total</b>	<b>4.660</b>	<b>-</b>	<b>6.288</b>	<b>-</b>

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

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

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

i.

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Restructured or Rescheduled		Loans and Other Receivables (Total)	Restructured or Rescheduled	
		Loans with Restructured Payment Plans	Other		Loans with Restructured Payment Plans	Other
Non-Specialised Loans	12.020.243	4.102	-	1.078.938	273.220	315
Loans Given to Enterprises	-	-	-	785	-	-
Export Loans	834.958	-	-	98.599	1.695	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	569.218	-	-	-	-	-
Consumer Loans	534.344	4.102	-	33.465	1.635	-
Credit Cards	6.407	-	-	520	-	-
Other (*)	10.075.316	-	-	945.569	269.890	315
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
<b>Total</b>	<b>12.020.243</b>	<b>4.102</b>	<b>-</b>	<b>1.078.938</b>	<b>273.220</b>	<b>315</b>

(\*) The Bank also has TL 6 factoring loans in the Other account.

ii.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 times	4.102	273.220
3, 4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>4.102</b>	<b>273.220</b>

iii.

Extended Period of Time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0-6 Months	17	232.124
6 Months – 12 Months	-	-
1-2 Years	4.085	1.624
2-5 Years	-	-
5 Years and Over	-	39.472
<b>Total</b>	<b>4.102</b>	<b>273.220</b>



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

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

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	2.607.493	17	122.241	10.370
Non-specialised Loans	2.607.493	17	122.241	10.370
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	9.408.648	4.085	683.162	263.165
Non-specialised Loans	9.408.648	4.085	683.162	263.165
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>TOTAL</b>	<b>12.016.141</b>	<b>4.102</b>	<b>805.403</b>	<b>273.535</b>

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

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

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

	Short- term	Medium and Long-term	Total
<b>Consumer Loans-TL</b>	<b>20.868</b>	<b>532.600</b>	<b>553.468</b>
Real estate loans	-	98.165	98.165
Automotive loans	167	16.761	16.928
Consumer loans	20.701	417.674	438.375
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>4.650</b>	<b>4.650</b>
Real estate loans	-	4.272	4.272
Automotive loans	-	-	-
Consumer loans	-	378	378
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>3.674</b>	-	<b>3.674</b>
With installments	-	-	-
Without installments	3.674	-	3.674
<b>Individual Credit Cards- FC</b>	<b>171</b>	-	<b>171</b>
With installments	-	-	-
Without installments	171	-	171
<b>Personnel Loans-TL</b>	<b>306</b>	<b>3.550</b>	<b>3.856</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	306	3.550	3.856
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>780</b>	-	<b>780</b>
With installments	-	-	-
Without installments	780	-	780
<b>Personnel Credit Cards-FC</b>	<b>24</b>	-	<b>24</b>
With installments	-	-	-
Without installments	24	-	24
<b>Credit Deposit Account-TL (Real Person)</b>	<b>5.835</b>	-	<b>5.835</b>
<b>Credit Deposit Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>31.658</b>	<b>540.800</b>	<b>572.458</b>

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

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

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

	Short-term	Medium and long-term	Total
<b>Commercial Installments Loans-TL</b>	<b>61.407</b>	<b>1.855.103</b>	<b>1.916.510</b>
Real estate Loans			
Automotive Loans	28	9.057	9.085
Consumer Loans	61.379	1.846.046	1.907.425
Other			
<b>Commercial Installments Loans-FC Indexed</b>	<b>6.216</b>	<b>531.067</b>	<b>537.283</b>
Real estate Loans			
Automotive Loans	9	4.915	4.924
Consumer Loans	6.207	526.152	532.359
Other			
<b>Commercial Installments Loans-FC</b>		<b>4.035.968</b>	<b>4.035.968</b>
Real estate Loans			
Automotive Loans			
Consumer Loans		4.035.968	4.035.968
Other			
<b>Corporate Credit Cards-TL</b>	<b>2.217</b>		<b>2.217</b>
With installments			
Without installments	2.217		2.217
<b>Corporate Credit Cards-FC</b>	<b>61</b>		<b>61</b>
With installments			
Without installments	61		61
<b>Credit Deposit Account-TL (Legal Person)</b>	<b>18.043</b>		<b>18.043</b>
<b>Credit Deposit Account-FC (Legal Person)</b>			
<b>Total</b>	<b>87.944</b>	<b>6.422.138</b>	<b>6.510.082</b>

6. Loans according to types of borrowers:

	31 December 2017	31 December 2016
Public	-	-
Private	13.099.181	10.573.728
<b>Total</b>	<b>13.099.181</b>	<b>10.573.728</b>

7. Distribution of domestic and foreign loans:

	31 December 2017	31 December 2016
Domestic Loans	13.099.181	10.573.728
Foreign Loans	-	-
<b>Total</b>	<b>13.099.181</b>	<b>10.573.728</b>

8. Loans given to associates and subsidiaries;

	31 December 2017	31 December 2016
Direct Loans given to associates and subsidiaries	21.693	-
Indirect Loans given to associates and subsidiaries	-	-
<b>Total</b>	<b>21.693</b>	<b>-</b>

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

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

9. Specific provisions provided against loans:

	31 December 2017	31 December 2016
Loans and Other Receivables with Limited Collectability	4.554	12.293
Loans and Other Receivables with Doubtful Collectability	12.027	17.709
Uncollectible Loans and Other Receivables	165.724	89.416
<b>Total</b>	<b>182.305</b>	<b>119.418</b>

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

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>31 December 2017</b>			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	-	6.069
<b>31 December 2016</b>			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	233	707	7.204

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>Prior Period End Balance</b>	<b>44.301</b>	<b>43.815</b>	<b>143.101</b>
Additions (+)	148.762	13.609	11.640
Transfers from Other Categories of Non performing Loans (+)	-	105.843	102.320
Transfers to Other Categories of Non-performing Loans (-)	105.843	102.320	-
Collections (-)	20.875	10.037	28.655
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Balance at the End of the Period</b>	<b>66.345</b>	<b>50.910</b>	<b>228.406</b>
Specific Provision (-)	4.554	12.027	165.724
<b>Net Balance on Balance Sheet</b>	<b>61.791</b>	<b>38.883</b>	<b>62.682</b>

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

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

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
<b>31 December 2017</b>			
Period-End Balance	2.938	9.301	48.742
Specific Provision (-)	349	1.163	40.987
<b>Net Balance on balance sheet</b>	<b>2.589</b>	<b>8.138</b>	<b>7.755</b>
<b>31 December 2016</b>			
Period-End Balance	22.201	14.453	11.390
Specific Provision (-)	9.377	7.229	3.932
<b>Net Balance on balance sheet</b>	<b>12.824</b>	<b>7.224</b>	<b>7.458</b>

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
<b>Current Period (Net)</b>	<b>61.791</b>	<b>38.883</b>	<b>62.682</b>
Loans Given to Real Persons and Legal Persons (Gross)	66.345	50.910	228.406
Specific Provision Amount (-)	4.554	12.027	165.724
Loans Given to Real Persons and Legal Persons (Net)	61.791	38.883	62.682
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>32.008</b>	<b>26.106</b>	<b>53.685</b>
Loans Given to Real Persons and Legal Persons (Gross)	44.301	43.815	143.101
Specific Provision Amount (-)	12.293	17.709	89.416
Loans Given to Real Persons and Legal Persons (Net)	32.008	26.106	53.685
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

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

1. 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.

2. 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 2017		31 December 2016	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	171.218	-	161.607
Other	-	-	-	-
<b>Total</b>	-	<b>171.218</b>	-	<b>161.607</b>

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

None (31 December 2016 : None).

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

	31 December 2017	31 December 2016
Government Bond	171.218	161.607
Treasury Bond	-	-
Other Public Debt Securities	-	-
<b>Total</b>	<b>171.218</b>	<b>161.607</b>

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

	31 December 2017	31 December 2016
Debt securities	171.218	161.607
Publicly-traded	171.218	161.607
Not publicly-traded	-	-
Provision for impairment	-	-
<b>Total</b>	<b>171.218</b>	<b>161.607</b>

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(Continued)**

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

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

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

	31 December 2017	31 December 2016
Opening balance	161.607	-
Foreign exchange differences in monetary assets	9.611	-
Purchases during the year	-	161.607
Disposals through Sales and Redemptions	-	-
Value decrease equivalent (-)	-	-
<b>Period end balance</b>	<b>171.218</b>	<b>161.607</b>

**g. Information on investments in associates (Net):**

None (31 December 2016: None).

**h. Information on subsidiaries (Net):**

1. Information on unconsolidated subsidiaries:

None (31 December 2016: None).

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

None (31 December 2016: None).

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

	Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage(%)
1	Burgan Finansal Kiralama A.Ş.	Istanbul/Turkey	99,99	0,01
2	Burgan Yatırım Menkul Değerler A.Ş. and its subsidiary,	Istanbul/Turkey	100,00	-
	-Burgan Wealth Limited Dubai	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, two-thirds of the total capital and legal reserves were unrequited due to current and previous years losses. 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. were liquidated on May 2,2017. On the date of 06 October 2017, the merger process of companies was completed.

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	2.184.523	199.787	12.413	147.756	-	34.559	23.293	-
2(*)	127.265	57.269	4.414	12.467	3.047	(17.391)	(18.267)	-

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

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(Continued)**

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

5. Movement schedules of subsidiaries:

	31 December 2017	31 December 2016
<b>Balance at the beginning of the Period</b>	<b>237.171</b>	<b>228.722</b>
<b>Movements during the Period</b>	<b>19.801</b>	<b>8.449</b>
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase (*)	19.801	8.449
Impairment Provision	-	-
<b>Balance at the end of the Period</b>	<b>256.972</b>	<b>237.171</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of the Period (%)</b>	<b>99,99%</b>	<b>99,99%</b>

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

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

Subsidiaries	31 December 2017	31 December 2016
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	206.686	172.512
Finance Companies	-	-
Other Financial Subsidiaries	50.286	64.659
<b>Total</b>	<b>256.972</b>	<b>237.171</b>

7. Subsidiaries quoted on stock exchange:

None (31 December 2016: None).

**i. Information on joint ventures:**

None (31 December 2016: None).

**j. Information on lease receivables (net):**

None (31 December 2016: None).



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(Continued)**

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

**k. Information on hedging derivative financial assets:**

	31 December 2017		31 December 2016	
	TP	FC	TP	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	257.159	5.708	176.246	4.771
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>257.159</b>	<b>5.708</b>	<b>176.246</b>	<b>4.771</b>

**l. Information on investment property:**

	Immovables	Motor Vehicles	Other Tangible Assets	Total
<b>31 December 2015</b>				
Cost	24.541	-	71.873	96.414
Accumulated depreciation (-)	2.541	-	35.846	38.387
<b>Net book value</b>	<b>22.000</b>	<b>-</b>	<b>36.027</b>	<b>58.027</b>
<b>31 December 2016</b>				
Net book value at beginning of the period	22.000	-	36.027	58.027
Additions	-	-	8.457	8.457
Disposals (-) (net)	-	-	122	122
Impairment (-)	-	-	-	-
Depreciation (-)	456	-	8.163	8.619
Revaluation Increase	1.256	-	-	1.256
Cost at Period End	25.797	-	74.640	100.437
Accumulated Depreciation at Period End (-)	2.997	-	38.441	41.438
<b>Closing Net Book Value at Period End</b>	<b>22.800</b>	<b>-</b>	<b>36.199</b>	<b>58.999</b>

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

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**I. EXPLANATIONS AND NOTES RELATED TO 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 2017	31 December 2016
Gross Book Value	86.517	78.392
Accumulated Depreciation (-)	41.432	32.040
<b>Net Book Value</b>	<b>45.085</b>	<b>46.352</b>

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

	31 December 2017	31 December 2016
<b>Beginning of the Period</b>	<b>46.352</b>	<b>42.609</b>
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	8.125	11.572
Disposals	-	22
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	9.392	7.807
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
<b>End of the Period</b>	<b>45.085</b>	<b>46.352</b>

**n. Information on investment property:**

None (31 December 2016: None).

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(Continued)**

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

**o. Information on deferred tax asset:**

As of 31 December 2017, the Bank has netted-off the calculated deferred tax asset of TL 19.982 (31 December 2016: TL 16.459) and deferred tax liability of TL 53.463 (31 December 2016: TL 30.255) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 33.481 (31 December 2016: TL 13.796 net deferred tax asset) in the financial statements.

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

The Bank has assets held for resale amounting to TL 45.085 (31 December 2016: TL 45.165) and has no discontinued operations.

<b>Prior Period</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Cost	45.996	7.196
Accumulated Depreciation (-)	831	511
<b>Net Book Value</b>	<b>45.165</b>	<b>6.685</b>
<b>Current Period</b>		
Net book value at beginning of the period	45.165	6.685
Additions	13.340	41.077
Disposals (-), net	12.977	2.131
Impairment (-)	397	49
Depreciation (-)	46	417
Cost	45.652	45.996
Accumulated Depreciation (-)	567	831
<b>Closing Net Book Value</b>	<b>45.085</b>	<b>45.165</b>

**r. Information on other assets:**

As of 31 December 2017, other assets amount to TL 108.066 (31 December 2016: TL 105.363) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

**a. Information on deposits:**

1. Information on maturity structure of deposits:

i. 31 December 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	31.527	-	225.597	2.333.196	100.087	78.556	76.825	-	2.845.788
Foreign Currency Deposits	188.533	-	382.406	3.662.979	900.151	156.529	27.762	-	5.318.360
Residents in Turkey	175.127	-	362.213	3.625.377	887.658	155.010	24.659	-	5.230.044
Residents Abroad	13.406	-	20.193	37.602	12.493	1.519	3.103	-	88.316
Public Sector Deposits	5.699	-	-	-	-	-	-	-	5.699
Commercial Deposits	99.286	-	42.787	194.062	19.354	23.409	206.176	-	585.074
Other Institutions Deposits	5.582	-	1.039	38.820	2.097	21.205	10.962	-	79.705
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.643	-	86.846	-	-	-	-	-	93.489
The CBRT	-	-	65.720	-	-	-	-	-	65.720
Domestic Banks	120	-	21.126	-	-	-	-	-	21.246
Foreign Banks	6.523	-	-	-	-	-	-	-	6.523
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>337.270</b>	<b>-</b>	<b>738.675</b>	<b>6.229.057</b>	<b>1.021.689</b>	<b>279.699</b>	<b>321.725</b>	<b>-</b>	<b>-8.928.115</b>

ii. 31 December 2016:

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

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

2. Information on saving deposits insurance:

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

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Saving Deposits</b>				
Saving Deposits	696.957	568.395	2.148.831	1.530.782
Foreign Currency Savings Deposit	244.679	198.348	2.688.262	2.622.810
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Authorities’ Insurance	-	-	-	-
Off-shore Banking Regions’ Deposits Under Foreign Authorities’ Insurance	-	-	-	-
<b>Total</b>	<b>941.636</b>	<b>766.743</b>	<b>4.837.093</b>	<b>4.153.592</b>

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

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

	31 December 2017	31 December 2016
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	23.562	25.687
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCK” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
<b>Total</b>	<b>23.562</b>	<b>25.687</b>

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

**b. Information on trading derivative financial liabilities:**

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

Derivative Financial Liabilities Held for Trading	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	18.993	2.876	26.467	5.586
Swap Transactions	59.584	61.434	103.875	11.999
Futures Transactions	-	-	-	-
Options	307	26.740	482	18.493
Other	-	-	-	-
<b>Total</b>	<b>78.884</b>	<b>91.050</b>	<b>130.824</b>	<b>36.078</b>

**c. Information on borrowings:**

1. Information on banks and other financial institutions:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	37.019	78.001	24.711	48.646
From Foreign Banks, Institutions and Funds	-	4.102.885	-	2.133.362
<b>Total</b>	<b>37.019</b>	<b>4.180.886</b>	<b>24.711</b>	<b>2.182.008</b>

2. Information on maturity structure of borrowings:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	37.019	502.943	24.711	216.447
Medium and Long-term	-	3.677.943	-	1.965.561
<b>Total</b>	<b>37.019</b>	<b>4.180.886</b>	<b>24.711</b>	<b>2.182.008</b>

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

The Bank’s main funding sources are deposits and borrowings. As of 31 December 2017, deposits and borrowings from Bank’s risk group comprise 1% (31 December 2016: 1%) of total deposits. Besides this, Borrowings from Bank’s risk group comprise 48% (31 December 2016: 59%) of subordinated and other borrowings.

**d. Information on marketable securities issued:**

None (31 December 2016: None).

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

**e. Information on other foreign liabilities:**

Other liabilities amounting to TL 53.860 (31 December 2016: TL 67.273) do not exceed 10% of the total of the balance sheet excluding off-balance sheet commitments.

**f. Information on lease payables (net):**

None (31 December 2016: None).

**g. Information on hedging derivative financial liabilities:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	40.807	12.560	27.528	1.958
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>40.807</b>	<b>12.560</b>	<b>27.528</b>	<b>1.958</b>

**h. Information on provisions:**

1. Information on general provisions:

	31 December 2017	31 December 2016
<b>General Provisions</b>	<b>107.566</b>	<b>90.245</b>
Provisions for First Group Loans and Receivables	94.018	80.121
Additional Provision for Loans and Receivables with Extended Maturities (*)	-	-
Provisions for Second Group Loans and Receivables	10.911	7.692
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Non-Cash Loans	2.166	1.913
Other	471	519

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

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

2. Information on reserve for employment termination benefits:

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

The payment amount which is one month’s salary for each working year is restricted to TL 4.732,48 since 1 July 2017 (31 December 2016: TL 4.297,21). Employee termination benefits are not funded as there is no funding requirement.

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

	31 December 2017	31 December 2016
Discount rate (%)	3,26	3,15
Salary increase rate (%)	8,50	9,00
Average remaining work period (Year)	11,00	11,43

Movement of reserve for employment termination benefits during the period:

	31 December 2017	31 December 2016
As of January 1	9.456	8.823
Service cost	1.705	1.644
Interest cost	1.056	935
Settlement cost	936	1.034
Actuarial loss/gain	763	(286)
Benefits paid (-)	2.484	2.694
<b>Total</b>	<b>11.432</b>	<b>9.456</b>

In addition, as of 31 December 2017 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 21.652 (31 December 2016:TL 16.667).



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

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

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2017	31 December 2016
Provisions for potential risks (*)	40.555	26.784
<b>Total</b>	<b>40.555</b>	<b>26.784</b>

(\*)The Bank's provisions for certain loans in its loan portfolio are reserved against risks that may arise in the future.

ii. Information on other provisions:

The Bank set aside reserves under other provisions amounting to TL 6.936 (31 December 2016: TL 6.835) for lawsuits, TL 2.389 (31 December 2016: TL 2.038) for provisions for non-cash loans that are not converted to cash and are not indemnified, TL 1.911 (31 December 2016: TL 1.301) for customer cheques commitments, TL 33 (31 December 2016: TL 143) for credit card loyalty points and TL 236 (31 December 2016: TL 220) for other receivables.

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

As of 31 December 2017, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 1.407 (31 December 2016: TL 14) and is netted from the loan amount in the financial statements.

i. Information on taxes payable:

1. Information on tax provision:

As of 31 December 2017, corporate tax provision amount to TL 7.696 (31 December 2016: None).

2. Information on taxes payable:

	31 December 2017	31 December 2016
Corporate Tax Payable	7.696	-
Taxation of Marketable Securities	8.567	9.327
Property Tax	104	137
Banking Insurance Transaction Tax	6.485	6.101
Value Added Tax Payable	550	353
Other	2.980	2.731
<b>Total</b>	<b>26.382</b>	<b>18.649</b>

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

3. Information on premium payables:

	31 December 2017	31 December 2016
Social Security Premiums-Employee	2.125	1.895
Social Security Premiums-Employer	2.940	2.502
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	147	132
Unemployment Insurance-Employer	292	264
Other	44	-
<b>Total</b>	<b>5.548</b>	<b>4.793</b>

4. As of 31 December 2017, the Bank has netted-off the calculated deferred tax asset of TL 19.982 (31 December 2016: TL 16.459) and deferred tax liability of TL 53.463 (31 December 2016: TL 30.255) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 33.481 (31 December 2016: TL 13.796 net deferred tax expense) in the financial statements.

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

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Carried Financial Loss	-	-	-	-
Provision for Legal Cases	6.936	6.835	1.526	1.367
Provisions for Possible Risks	40.555	26.784	8.922	5.357
Reserve for Employee Rights	19.323	14.484	4.250	2.897
Unearned Revenue	24.015	21.231	5.284	4.246
Other	-	12.959	-	2.592
<b>Deferred Tax Assets</b>	<b>90.829</b>	<b>82.293</b>	<b>19.982</b>	<b>16.459</b>
Difference Between Book Value and Tax Base of				
Tangible and Intangible Assets	27.102	27.492	3.728	5.498
Valuation Differences of Derivative Instruments	216.678	115.360	47.669	23.072
Other	9.388	8.423	2.066	1.685
<b>Deferred Tax Liabilities</b>	<b>253.168</b>	<b>151.275</b>	<b>53.463</b>	<b>30.255</b>
<b>Deferred Tax Assets/(Liabilities) (Net)</b>	<b>(162.339)</b>	<b>(68.982)</b>	<b>(33.481)</b>	<b>(13.796)</b>

Movement of deferred tax asset/ liabilities is presented below:

	31 December 2017	31 December 2016
<b>Balance as of 1 January</b>	<b>(13.796)</b>	<b>655</b>
Current year deferred tax income/(expense) (net)	(15.390)	(13.211)
Deferred tax charged to equity (net)	(4.295)	(1.240)
<b>Balance at the End of the Period</b>	<b>(33.481)</b>	<b>(13.796)</b>

(\*) Deferred tax effect recognized in shareholders' equity arising from the impact of TAS 27 is amounting to 685.

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

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

None (31 December 2016: None).

**k. Information on subordinated loans:**

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

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	06 December 2013	4 December 2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	30 March 2016	30 March 2026	LIBOR+3,75

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

**Information about subordinated loans:**

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.140.582	-	1.057.478
Other Foreign	-	-	-	-
<b>Total</b>	-	<b>1.140.582</b>	-	<b>1.057.478</b>

**l. Information on shareholders’ equity:**

1. Presentation of paid-in capital:

	31 December 2017	31 December 2016
Common Stock	1.185.000	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	1.185.000	2.000.000

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

Capital Increase Date	Capital Increase Amount	Cash	Profit Reserves Related to Capital Increase	Capital Reserves Related to Capital Increase
31.12.2017	285.000	285.000	-	-

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(Continued)**

**III. EXPLANATIONS AND NOTES RELATED TO LIABILITIES(Continued)**

**I. Information on shareholders’ equity (Continued):**

4. Information on capital increases from capital reserves during the current period.  
None.
5. Information on capital commitments, up until the end of the fiscal year and the subsequent period:  
None.
6. Information on capital by considering the Bank’s profitability, prior period indicators on liquidity and uncertainty on these indicators:

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

7. Information on privileges given to shares representing the capital:  
Based on the Principal Agreement, the Bank has 1.000.000 founder's shares. According to the Principal Agreement, after allocating 5% to legal reserves and distributing 5% of the paid in capital, 10% of distributable amount is distributed to the owners of the founder's shares.
8. Information on marketable securities valuation reserve:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(2.366)	(143)	(872)	(6.999)
Foreign Currency Translation Difference	-	-	-	-
<b>Total</b>	<b>(2.366)</b>	<b>(143)</b>	<b>(872)</b>	<b>(6.999)</b>

9. Information on tangible assets revaluation reserve:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	18.075	-	16.127	-
Common Stocks of Investments in Associates, Subsidiaries that will be added to the Capital and Sales Income from Immovables	-	-	-	-
<b>Total</b>	<b>18.075</b>	<b>-</b>	<b>16.127</b>	<b>-</b>

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

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

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(Continued)**

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

**a. Information on off balance sheet commitments:**

1. The amount and type of irrevocable commitments:

	31 December 2017	31 December 2016
Commitments for cheques	334.480	302.867
Foreign currency buy/sell commitments	192.283	576.525
Loan limit commitments	149.606	145.005
Commitments for credit card limits	18.777	17.475
Capital commitments for subsidiaries	14.997	14.997
Promotions for the credit cards and their care services	8	14
Commitments for purchase and sale of marketable securities	-	618
<b>Total</b>	<b>710.151</b>	<b>1.057.501</b>

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 2017	31 December 2016
Letter of guarantees	1.740.052	1.584.427
Letter of credits	234.673	256.635
Bank acceptance loans	107.766	130.717
Other guarantees	36.130	10.429
Factoring guarantees	28	28
<b>Total</b>	<b>2.118.649</b>	<b>1.982.236</b>

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

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Irrevocable letters of guarantee	643.291	396.530	612.453	389.228
Revocable letters of guarantee	56.429	26.916	73.964	33.691
Guarantees given to customs	29.024	70.284	18.689	58.023
Letters of guarantee given in advance	7.571	157.427	9.089	161.826
Other letters of guarantee	19.740	332.840	16.724	210.740
<b>Total</b>	<b>756.055</b>	<b>983.997</b>	<b>730.919</b>	<b>853.508</b>

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

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

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

	31 December 2017	31 December 2016
Non-cash loans given against cash loans	378.095	229.648
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	378.095	229.648
Other non-cash loans	1.740.554	1.752.588
<b>Total</b>	<b>2.118.649</b>	<b>1.982.236</b>

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

	31 December 2017				31 December 2016			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>2.135</b>	<b>0,28</b>	<b>11.845</b>	<b>0,87</b>	<b>1.001</b>	<b>0,14</b>	<b>8.235</b>	<b>0,66</b>
Farming and Livestock	1.906	0,25	11.845	0,87	772	0,11	8.235	0,66
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,03	-	-	229	0,03	-	-
<b>Manufacturing</b>	<b>185.436</b>	<b>24,42</b>	<b>730.196</b>	<b>53,73</b>	<b>253.533</b>	<b>34,51</b>	<b>593.507</b>	<b>47,57</b>
Mining	64.056	8,43	126.684	9,32	103.731	14,12	128.295	10,28
Production	114.920	15,13	597.806	43,98	141.345	19,24	461.962	37,03
Electric, Gas, Water	6.460	0,85	5.706	0,42	8.457	1,15	3.250	0,26
<b>Construction</b>	<b>156.492</b>	<b>20,60</b>	<b>362.735</b>	<b>26,69</b>	<b>213.385</b>	<b>29,04</b>	<b>372.048</b>	<b>29,82</b>
<b>Services</b>	<b>336.805</b>	<b>44,34</b>	<b>205.034</b>	<b>15,09</b>	<b>250.629</b>	<b>34,11</b>	<b>273.116</b>	<b>21,89</b>
Wholesale and Retail Trade	65.451	8,62	43.200	3,18	86.510	11,77	76.906	6,16
Hotel and Food Services	7.598	1,00	19.458	1,43	9.255	1,26	21.858	1,75
Transportation and Telecommunication	26.452	3,48	4.980	0,37	22.856	3,11	12.418	1,00
Financial Institutions	219.187	28,86	63.844	4,70	109.858	14,95	135.025	10,82
Real Estate and Leasing Ser.	11.792	1,55	64.822	4,77	11.915	1,62	20.752	1,66
Professional Services	4.896	0,64	-	-	6.187	0,84	-	-
Education Services	106	0,01	1.698	0,12	66	0,01	951	0,08
Health and Social Services	1.323	0,17	7.032	0,52	3.982	0,54	5.206	0,42
<b>Other</b>	<b>78.645</b>	<b>10,35</b>	<b>49.326</b>	<b>3,63</b>	<b>16.149</b>	<b>2,20</b>	<b>633</b>	<b>0,05</b>
<b>Total</b>	<b>759.513</b>	<b>100,00</b>	<b>1.359.136</b>	<b>100,00</b>	<b>734.697</b>	<b>100</b>	<b>1.247.539</b>	<b>100</b>

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

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

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	733.210	960.640	15.387	22.904
Acceptance and Acceptance Loans	3.430	104.336	-	-
Letters of Credit	-	234.030	-	643
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	36.130	-	-
<b>Total</b>	<b>736.668</b>	<b>1.335.136</b>	<b>15.387</b>	<b>23.547</b>

(\*)In addition to non-cash loans stated above, the Bank has non-cash loans classified as non-performing loans, amounting to TL 7.911. As of 31 December 2017, the Bank has recorded a TL 2.389 provision regarding these risks.

**b. Information on derivative financial instruments:**

	31 December 2017	31 December 2016
<b>Types of Trading Transactions</b>		
<b>Foreign currency related derivative transactions (I)</b>	<b>21.022.928</b>	<b>12.003.911</b>
Currency forward transactions	1.903.229	1.016.154
Currency swap transactions	10.644.593	5.211.412
Futures transactions	-	-
Options	8.475.106	5.776.345
<b>Interest related derivative transactions (II)</b>	<b>10.390.390</b>	<b>7.122.724</b>
Forward rate agreements	-	-
Interest rate swaps	10.390.390	7.122.724
Interest rate options	-	-
Interest rate futures	-	-
<b>A. Total trading derivative transactions (I+II)</b>	<b>31.413.318</b>	<b>19.126.635</b>
<b>Types of hedging transactions</b>	<b>3.148.617</b>	<b>2.281.196</b>
Fair value hedges	-	-
Cash flow hedges	3.148.617	2.281.196
Foreign currency investment hedges	-	-
<b>B. Total hedging related derivatives</b>	<b>3.148.617</b>	<b>2.281.196</b>
<b>Total derivative transactions (A+B)</b>	<b>34.561.935</b>	<b>21.407.831</b>

**c. Information on contingent assets and contingent liabilities:**

As of 31 December 2017, the total amount of legal cases against the Bank is TL 57.174 (31 December 2016: TL 44.938) and the Bank sets aside a provision of TL 6.936 (31 December 2016: TL 6.835) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at “Denizli Tax Authority” and “Denizli Civil Court of General Jurisdiction” for cancellation of the payment order of TL 25.459, which was notified to the Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Bank. The cases are at the appeal phase. As a result, the Bank did not book any provision.

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

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

**FITCH (26 January 2018)**

<b>Outlook</b>	Stable
<b>Long Term FC</b>	BBB-
<b>Short Term FC</b>	F3
<b>Long Term TL</b>	BBB-
<b>Short Term TL</b>	F3
<b>Viability Note</b>	b+
<b>Support Rating</b>	2
<b>National Rating</b>	AAA(tur)

**IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT :**

**a. Information on interest income:**

1. Information on interest income on loans:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
<b>Interest Income on Loans (*)</b>				
Short-term Loans	357.198	16.240	331.521	19.672
Medium/Long-term Loans	381.154	373.805	212.962	262.328
Interest on Loans Under Follow-up	4.056	-	5.176	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total</b>	<b>742.408</b>	<b>390.045</b>	<b>549.659</b>	<b>282.000</b>

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

2. Information on interest income on banks:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From the CBRT	11.842	-	-	-
From Domestic Banks	12.293	1.053	1.643	309
From Foreign Banks	-	60	-	17
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>24.135</b>	<b>1.113</b>	<b>1.643</b>	<b>326</b>



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

3. Information on interest income on marketable securities:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
From Trading Financial Assets	2.528	181	3.008	239
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	23.089	6.238	22.165	12.613
From Held-to-Maturity Investments	-	7.302	-	1.839
<b>Total</b>	<b>25.617</b>	<b>13.721</b>	<b>25.173</b>	<b>14.691</b>

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

	31 December 2017	31 December 2016
Interest Received From Investments in Associates and Subsidiaries	2.242	270

**b. Information on interest expense:**

1. Information on interest expense on borrowings:

	31 December 2017		31 December 2016	
	TL	FC	TL	FC
Banks	<b>1.938</b>	<b>140.521</b>	<b>2.182</b>	<b>83.422</b>
The CBRT	-	-	-	-
Domestic Banks	1.938	1.174	2.177	1.064
Foreign Banks	-	139.347	5	82.358
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	<b>12.449</b>	-	<b>9.863</b>
<b>Total (*)</b>	<b>1.938</b>	<b>152.970</b>	<b>2.182</b>	<b>93.285</b>

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

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

	31 December 2017	31 December 2016
Interest Paid to Investment in Associates and Subsidiaries	3.670	2.681

3. Interest expense on issued marketable securities:

	31 December 2017	31 December 2016
Interest expense on issued marketable securities	-	4.383

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(Continued)**

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

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

Current Period	Demand Deposit	Time Deposit					Accum. Deposit	Total	Prior Period Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year			
<b>Turkish Currency</b>									
Bank Deposits	-	4.312	-	-	-	-	-	4.312	479
Savings Deposits	4	19.849	234.594	10.220	3.928	6.832	-	275.427	207.610
Public Deposits	-	-	13	-	-	-	-	13	84
Commercial Deposits	-	12.110	41.951	3.967	3.864	16.384	-	78.276	63.775
Other Deposits	-	329	15.053	271	883	1.172	-	17.708	15.146
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>36.600</b>	<b>291.611</b>	<b>14.458</b>	<b>8.675</b>	<b>24.388</b>	<b>-</b>	<b>375.736</b>	<b>287.094</b>
<b>Foreign Currency</b>									
Foreign Currency Account	-	8.621	155.246	20.246	4.933	952	-	189.998	112.307
Bank Deposits	-	2.019	-	-	-	-	-	2.019	204
7 Day Notice Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>10.640</b>	<b>155.246</b>	<b>20.246</b>	<b>4.933</b>	<b>952</b>	<b>-</b>	<b>192.017</b>	<b>112.511</b>
<b>Sum Total</b>	<b>4</b>	<b>47.240</b>	<b>446.857</b>	<b>34.704</b>	<b>13.608</b>	<b>25.340</b>	<b>-</b>	<b>567.753</b>	<b>399.605</b>

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

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

**c. Information on dividend income:**

	31 December 2017	31 December 2016
Trading Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	328	328
Other	-	-
<b>Total</b>	<b>328</b>	<b>328</b>

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

	31 December 2017	31 December 2016
<b>Income</b>	<b>16.522.264</b>	<b>14.160.577</b>
Capital Market Transactions	8.615	10.472
Derivative Financial Transactions	59.418	37.743
Foreign Exchange Gains	16.454.231	14.112.362
<b>Loss (-)</b>	<b>16.504.816</b>	<b>14.137.905</b>
Capital Market Transactions	4.536	4.447
Derivative Financial Transactions	41.031	27.832
Foreign Exchange Loss	16.459.249	14.105.626
<b>Net Income/Loss</b>	<b>17.448</b>	<b>22.672</b>

**e. Information on other operating income:**

As of 31 December 2017, the Bank’s other operating income is TL 14.607 (31 December 2016: TL 9.254). TL 5.362 (31 December 2016: TL 1.247) amount of the other operating income is composed of the profit from sales of the fixed assets that were classified as Asset Held for Resale.

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

	31 December 2017	31 December 2016
Specific Provisions for Loans and Other Receivables	60.589	65.689
III. Group Loans and Receivables	5.263	14.365
IV. Group Loans and Receivables	(1.726)	13.614
V. Group Loans and Receivables	57.052	37.710
General Provision Expenses	9.195	7.157
Provision Expense for Possible Risks	12.716	(3.354)
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	-	-
<b>Total</b>	<b>82.500</b>	<b>69.492</b>

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

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

**g. Information related to other operating expenses:**

	<b>31 December 2017</b>	<b>31 December 2016</b>
Personnel Expenses	146.397	137.790
Reserve For Employee Termination Benefits(*)	4.312	4.013
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	9.118	8.619
Impairment Expenses of Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	9.392	7.807
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	397	49
Depreciation Expenses of Assets Held for Resale	46	417
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	103.846	83.574
Operational Lease Expenses	29.820	26.891
Maintenance Expenses	991	1.247
Advertising Expenses	1.163	999
Other Expense	71.872	54.437
Loss on Sales of Assets	512	298
Other	27.279	24.813
<b>Total</b>	<b>301.299</b>	<b>267.380</b>

(\*) As of 31 December 2017, “the employee vacation fee provision expense” is TL 680 (31 December 2016: TL 424).

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

The Bank has no discontinued operations. The Bank’s net in profit before taxes from continuing operations is TL 139.669 (31 December 2016: TL 91.362 profit before tax).

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

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

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

As of 31 December 2017, the Bank has TL 14.431 current tax expense amounting and deferred tax expense amounting to TL 15.390.

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

The Bank has TL 13.606 deferred tax income from temporary differences and no tax expense from carried financial loss and TL 28.996 deferred tax expense from closed temporary differences amounting to net TL 15.390 deferred tax expense.

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

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

**i. Information on provision for taxes from discontinued or continuing operations(Continued):**

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

As of 31 December 2017, the Bank has TL 15.390 deferred tax expense arising from temporary differences and there is no deferred tax expense from carried financial loss belongs to the prior period.

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

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

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

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

None.

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

None.

**l. Information on other income and expenses:**

1. Interest income amounts to TL 1.445.845 (31 December 2016: TL 1.143.862) and TL 225.216 (31 December 2016: TL 253.226) of this amount is classified as "Other Interest Income" in the income statement of Bank in the current period.

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Other Interest Income</b>		
Interest Income Related to Derivative Transactions	220.962	250.419
Other	4.254	2.807
<b>Total</b>	<b>225.216</b>	<b>253.226</b>

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

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

2. Interest expense amounts to TL 1.002.944 (31 December 2016: TL 776.088), TL 267.623 (31 December 2016: TL 259.909) of this amount is classified as "Other Interest Expense" in the income statement of Bank in the current period.

	31 December 2017	31 December 2016
<b>Other Interest Expense</b>		
Interest Expense Related to Derivative Transactions	265.911	249.251
Other	1.712	10.658
<b>Total</b>	<b>267.623</b>	<b>259.909</b>

3. As of 31 December 2017, the Bank’s fee and commission income amounts to TL 39.499 (31 December 2016: TL 28.702) and TL 21.049 (31 December 2016: TL 14.285) the related amount is classified under “Other” account.

	31 December 2017	31 December 2016
<b>Other Fee and Commissions Received</b>		
Credit Card and POS Transaction Commission	6.572	2.152
Account Operating Fees	1.838	1.439
Insurance Commissions	817	1.040
Transfer Commissions	535	899
Commissions from Correspondent Banks	497	404
OrtakNokta Commissions	204	151
Commissions on Investment Fund Services	106	99
Letter of Credit Commissions	9	12
Other	10.471	8.089
<b>Total</b>	<b>21.049</b>	<b>14.285</b>

4. As of 31 December 2017, Bank’s fee and commission expense amounts to TL 8.483 (31 December 2016: TL 5.522) and TL 8.443 (31 December 2016: TL 5.500) of the related amount is classified under “Other” account.

	31 December 2017	31 December 2016
<b>Other Fee and Commissions Given</b>		
Credit Card Transaction Commission	2.384	2.859
Commissions Granted to Correspondent Banks	1.144	865
EFT Commissions	735	648
OrtakNokta Commissions	413	415
Transfer Commissions	96	103
Other	3.671	610
<b>Total</b>	<b>8.443</b>	<b>5.500</b>

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

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

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

There is no change in Bank’s partnership structure in 2017.

**b. Information on distribution of profit:**

According to the decision of the Bank held at the Ordinary General Assembly Meeting held on 31 March 2017; While adapting TAS 27 Standard, the profit of 2016, TL 71.673 was not distributed. It is classified as legal and extraordinary reserves.

**c. Information on capital increase:**

The Bank’s registered capital ceiling is 2 billion TL. Following the Board of Directors’ decisions dated 15 December 2017, 14 January 2018 and 21 February 2018 the Bank has decided to increase its capital by receiving a partial capital payment amounting to 285 million TL from the Bank’s main associate, Burgan Bank K.P.S.C. This increase has been conducted under the registered capital ceiling and the amount has been transferred to the Bank’s accounts at 27 December 2017. The BRSA investigations and permissions regarding the payment have been completed, and the related amount has been reflected to the Bank’s financial statements as of 31 December 2017. The legal procedures regarding the rights of priority of other shareholders are still continuing. There is no change in the Shareholder structure of the Bank other than the increase in capital.

**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 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(2.366)	(143)	(872)	(6.999)
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>(2.366)</b>	<b>(143)</b>	<b>(872)</b>	<b>(6.999)</b>

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

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.948 net of tax (31 December 2016: TL 1.005) is accounted under “Revaluation differences of tangible assets and intangible assets”.

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

**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS**

**a. Information on cash and cash equivalent assets:**

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

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

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

	31 December 2017	31 December 2016
<b>Cash</b>	<b>412.911</b>	<b>376.161</b>
Cash, Foreign Currency and Other	26.846	26.411
Demand Deposits in Banks	386.065	349.750
<b>Cash Equivalents</b>	<b>221.505</b>	<b>176.001</b>
Interbank Money Market	-	-
Time Deposits in Bank	221.505	176.001
<b>Total Cash and Cash Equivalents</b>	<b>634.416</b>	<b>552.162</b>

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

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

	31 December 2017	31 December 2016
<b>Cash</b>	<b>1.167.902</b>	<b>412.911</b>
Cash, Foreign Currency and Other	52.065	26.846
Demand Deposits in Banks	1.115.837	386.065
<b>Cash Equivalents</b>	<b>68.251</b>	<b>221.505</b>
Interbank Money Market	-	-
Time Deposits in Bank	68.251	221.505
<b>Total Cash and Cash Equivalents</b>	<b>1.236.153</b>	<b>634.416</b>

**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 166.129 (31 December 2016: negative TL 247.260) 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 negative TL 120.776 (31 December 2016: positive TL 125.319) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2017, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately negative TL 18.947 (31 December 2016: positive TL 38.302).



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

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

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

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

31 December 2017:

Banks’ Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	21.693	12.963	-	-	27	15.429
<b>Interest and Commission Income Received</b>	2.242	79	-	-	12	-

31 December 2016:

Banks’ Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
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
<b>Interest and Commission Income Received</b>	270	40	-	-	6	-

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

Banks’ Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposit</b>						
Beginning of the Period	61.164	84.098	5.656	6.184	26.005	17.841
End of the Period	55.644	61.164	6.357	5.656	24.791	26.005
<b>Interest Expense on Deposits</b>	3.670	2.681	-	-	1.581	1.238

Banks’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Repurchase Transactions</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
<b>Interest Expense on Repurchase Transactions</b>	-	-	-	-	-	-

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

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

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

Banks’ Risk Group	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions for trading purposes</b>						
Beginning of the Period (*)	307.337	92.529	-	-	-	-
Balance at the end of the period (*)	806.971	307.337	-	-	-	-
<b>Total Profit/Loss</b>	17.950	(12.351)	-	-	-	-
<b>Transactions for hedging purposes</b>						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

**b. With respect to the Bank’s risk group:**

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

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

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

	Total Risk Group	Share in Financial Statements (%)
Borrowings	2.560.035	47,78
Deposit	132.256	84,07
Non-cash loans	86.792	0,97
Banks and Other Institutions	28.392	1,34
Loans	21.720	0,16

As of 31 December 2017, the Bank has realized interest income from deposits given to banks included in the risk group amounting to TL 17 (31 December 2016: None), the Bank has realized interest expense amounting to TL 99.671 (31 December 2016: TL 61.574) on loans borrowed from the direct shareholders of the Bank.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP (Continued)**

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

According to the Joint Expense Sharing Agreement with the Bank and its subsidiaries; the Bank has TL 356 (31 December 2016: TL 333) as other operating income and has TL 158 (31 December 2016: 6) as other operating expense from Burgan Finansal Kiralama A.Ş., and TL 680 (31 December 2016: 36) from Burgan Yatırım Menkul Değerler A.Ş. as other operating income.

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Bank’s risk group and the amount composes 0,33% (31 December 2016:0,76%) of the Bank’s total cash and non-cash loans.

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

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

**c. Information on benefits provided to top management:**

Top management of the Bank is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 17.411 (31 December 2016: TL 17.239) which include total gross salary, travel, meal, health, life insurance and other expenses.

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

- a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number			
Domestic Branch	43	978			
			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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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. OTHER EXPLANATIONS RELATED TO BANK’S OPERATIONS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

The unconsolidated financial statements as of 31 December 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor’s independent audit report dated 28 February 2018 has been presented prior to the unconsolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR**

None.