

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

## **BURGAN BANK A.Ş.**

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
TOGETHER WITH INDEPENDENT LIMITED REVIEW  
REPORT AT 30 SEPTEMBER 2017**

## INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

#### *Introduction*

We have reviewed the accompanying consolidated balance sheet of Burgan Bank A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “the Group”) as at 30 September 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the nine-month period then ended and summary of significant accounting policies and other explanatory information (“interim consolidated financial information”). The Bank Management is responsible for the preparation and fair presentation of such interim financial information in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published on the Official Gazette numbered 26333 on 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA, and requirements of Turkish Accounting Standard 34 “Interim Financial Reporting” for the matters not regulated by aforementioned legislations. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Auditing Standards. Consequently, a review of consolidated interim financial information does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not presented fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of 30 September 2017 and the result of its operations and cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

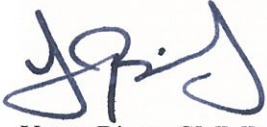
#### *Report on Other Legal and Regulatory Requirements*

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

**Additional paragraph for convenience translation to English:**

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

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



Yaşar Bivas, SMMM  
Partner

6 November 2017  
Istanbul, Turkey

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

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF  
BURGAN BANK A.Ş. AS OF 30 SEPTEMBER 2017**

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

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

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

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

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

6 November 2017

Mehmet N. ERTEN  
Chairman of the  
Board of Directors

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

Mehmet YALÇIN  
Financial Affairs  
Vice General Manager

Ahmet CİĞA  
Head of Accounting,  
Tax, and  
Reporting Unit

Halil CANTEKİN  
Head of the Audit Committee

Adrian Alejandro  
GOSTUSKI  
Member of the Audit  
Committee

Osama T. AL GHOUSSEIN  
Member of the Audit  
Committee

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

Name-Surname / Title : Ahmet CİĞA / Head of Accounting Tax and Reporting Unit  
Telephone Number : 0 212 371 34 84  
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**BURGAN BANK A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

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

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

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

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

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

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**GENERAL INFORMATION (Continued)**

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

The Parent Bank's registered capital ceiling is 2 billion full TL. There are no changes to the Bank's shareholder structure.

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

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 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 PARENT 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.



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**BURGAN BANK A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**

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

**GENERAL INFORMATION (Continued)**

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

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

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

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

As of 30 September 2017, the Parent Bank has 47 branches operating in Turkey (31 December 2016: 49). The Parent Bank's core business activities include corporate and commercial banking, retail banking and banking services in treasury fields. As of 30 September 2017, the Group has 1.066 (31 December 2016: 1.089) employees.

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

None.

**SECTION TWO**  
**CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated balance sheet (Statement of financial position)
- II. Consolidated off-balance sheet commitments
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**BURGAN BANK A.Ş.  
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)  
AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016**

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

I. BALANCE SHEET		Note (Section Five)	(30/09/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
<b>ASSETS</b>								
I.	CASH AND BALANCES WITH CENTRAL BANK	I-a	804.565	959.430	1.763.995	161.255	1.157.611	1.318.866
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	95.625	87.795	183.420	84.444	51.759	136.203
2.1	Trading Financial Assets		95.625	87.795	183.420	84.444	51.759	136.203
2.1.1	Government Debt Securities		21.153	1.455	22.608	27.120	840	27.960
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		71.299	85.928	157.227	54.221	50.084	104.305
2.1.4	Other Marketable Securities		3.173	412	3.585	3.103	835	3.938
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	I-c	3.225	35.091	38.316	95.216	242.892	338.108
IV.	MONEY MARKETS		6.980	-	6.980	17.110	-	17.110
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		6.980	-	6.980	16.690	-	16.690
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	420	-	420
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-d	181.974	90.699	272.673	370.543	168.612	539.155
5.1	Share Certificates		11.568	-	11.568	11.568	-	11.568
5.2	Government Debt Securities		170.181	90.699	260.880	358.462	92.465	450.927
5.3	Other Marketable Securities		225	-	225	513	76.147	76.660
VI.	LOANS	I-e	5.598.827	6.879.616	12.478.443	4.666.340	6.064.455	10.730.795
6.1	Loans		5.464.214	6.879.616	12.343.830	4.533.679	6.064.455	10.598.134
6.1.1	Loans to Bank's Risk Group		45	-	45	106	7	113
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		5.464.169	6.879.616	12.343.785	4.533.573	6.064.448	10.598.021
6.2	Loans under Follow-up		338.797	-	338.797	278.035	-	278.035
6.3	Specific Provisions (-)		204.184	-	204.184	145.374	-	145.374
VII.	FACTORING RECEIVABLES	I-e	6	-	6	123	704	827
VIII.	HELD-TO-MATURITY SECURITIES (Net)	I-f	-	161.459	161.459	-	161.607	161.607
8.1	Government Debt Securities		-	161.459	161.459	-	161.607	161.607
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-g	-	-	-	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
X.	SUBSIDIARIES (Net)	I-h	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI.	JOINT VENTURES (Net)	I-i	-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	I-j	421.684	1.347.011	1.768.695	303.741	1.005.983	1.309.724
12.1	Financial Lease Receivables		555.328	1.569.432	2.124.760	398.103	1.147.332	1.545.435
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		133.644	222.421	356.065	94.362	141.349	235.711
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	I-k	182.699	5.663	188.362	176.246	7.940	184.186
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		182.699	5.663	188.362	176.246	7.940	184.186
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)		69.589	1.344	70.933	72.566	1.590	74.156
XV.	INTANGIBLE ASSETS (Net)		42.472	882	43.354	48.465	1.059	49.524
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		42.472	882	43.354	48.465	1.059	49.524
XVI.	INVESTMENT PROPERTY (Net)	I-l	-	-	-	-	-	-
XVII.	TAX ASSET		27.507	-	27.507	10.510	-	10.510
17.1	Current Tax Asset		12.109	-	12.109	2.220	-	2.220
17.2	Deferred Tax Asset	I-m	15.398	-	15.398	8.290	-	8.290
XVIII.	ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	I-n	48.199	-	48.199	45.511	-	45.511
18.1	Held for Resale		48.199	-	48.199	45.511	-	45.511
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	I-o	91.199	139.832	231.031	80.957	96.906	177.863
<b>TOTAL ASSETS</b>			<b>7.574.551</b>	<b>9.708.822</b>	<b>17.283.373</b>	<b>6.133.027</b>	<b>8.961.118</b>	<b>15.094.145</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**BURGAN BANK A.Ş.  
CONSOLIDATED BALANCE SHEETS (STATEMENT OF FINANCIAL POSITION)  
AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016**

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

I.	BALANCE SHEET	Note (Section Five)	(30/09/2017)			(31/12/2016)		
			TL	FC	Total	TL	FC	Total
	<b>LIABILITIES</b>							
I.	<b>DEPOSITS</b>	II-a	3.245.853	5.606.604	8.852.457	2.847.484	5.401.185	8.248.669
1.1	Deposits of Bank's Risk Group		7.407	48.686	56.093	7.882	23.779	31.661
1.2	Other		3.238.446	5.557.918	8.796.364	2.839.602	5.377.406	8.217.008
II.	<b>TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	II-b	50.122	55.575	105.697	114.784	36.055	150.839
III.	<b>BORROWINGS</b>	II-c	189.592	4.994.881	5.184.473	98.573	3.347.535	3.446.108
IV.	<b>MONEY MARKETS</b>		61.016	186.482	247.498	310.620	185.428	496.048
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		40.931	-	40.931	70.592	-	70.592
4.3	Funds Provided Under Repurchase Agreements		20.085	186.482	206.567	240.028	185.428	425.456
V.	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	II-d	-	-	-	49.288	-	49.288
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	49.288	-	49.288
VI.	<b>FUNDS</b>		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	<b>MISCELLANEOUS PAYABLES</b>		51.223	270.335	321.558	53.151	206.292	259.443
VIII.	<b>OTHER LIABILITIES</b>	II-e	50.161	1.230	51.391	61.373	5.905	67.278
IX.	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
X.	<b>LEASE PAYABLES (Net)</b>	II-f	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	<b>HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	II-g	25.015	12.425	37.440	27.528	1.958	29.486
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		25.015	12.425	37.440	27.528	1.958	29.486
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	<b>PROVISIONS</b>	II-h	102.512	79.937	182.449	85.008	73.726	158.734
12.1	General Loan Loss Provision		39.908	57.248	97.156	36.460	53.785	90.245
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		30.586	-	30.586	29.558	-	29.558
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		32.018	22.689	54.707	18.990	19.941	38.931
XIII.	<b>TAX LIABILITY</b>	II-i	60.330	-	60.330	38.216	-	38.216
13.1	Current Tax Liability		32.089	-	32.089	24.420	-	24.420
13.2	Deferred Tax Liability		28.241	-	28.241	13.796	-	13.796
XIV.	<b>PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	II-j	-	-	-	-	-	-
14.1	Held for Resale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	<b>SUBORDINATED LOANS</b>	II-k	-	1.074.072	1.074.072	-	1.057.478	1.057.478
XVI.	<b>SHAREHOLDERS' EQUITY</b>	II-l	1.165.758	250	1.166.008	1.097.572	(5.014)	1.092.558
16.1	Paid-in Capital		900.000	-	900.000	900.000	-	900.000
16.2	Capital Reserves		35.434	250	35.684	32.810	(5.014)	27.796
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(440)	406	(34)	(872)	(6.999)	(7.871)
16.2.4	Tangible Assets Revaluation Reserve		19.151	-	19.151	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)		19.098	(156)	18.942	19.930	1.985	21.915
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(2.375)	-	(2.375)	(2.375)	-	(2.375)
16.3	Profit Reserves		164.762	-	164.762	93.089	-	93.089
16.3.1	Legal Reserves		21.342	-	21.342	20.178	-	20.178
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		143.420	-	143.420	72.911	-	72.911
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		65.562	-	65.562	71.673	-	71.673
16.4.1	Prior Years' Income or (Loss)		-	-	-	-	-	-
16.4.2	Current Year Income or (Loss)		65.562	-	65.562	71.673	-	71.673
16.5	Minority Shares		-	-	-	-	-	-
	<b>TOTAL LIABILITIES</b>		<b>5.001.582</b>	<b>12.281.791</b>	<b>17.283.373</b>	<b>4.783.597</b>	<b>10.310.548</b>	<b>15.094.145</b>

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

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

**BURGAN BANK A.Ş.**

**CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT  
30 SEPTEMBER 2017 AND 31 DECEMBER 2016**

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

II. OFF-BALANCE SHEET		(30/09/2017)			(31/12/2016)			
		Note (Section Five/Five)	TL	FC	Total	TL	FC	Total
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		6.956.524	25.509.854	32.466.378	6.317.735	17.474.566	23.792.301
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	III-a-2-3	814.227	1.534.260	2.348.487	734.697	1.247.539	1.982.236
1.1	Letters of Guarantee		808.219	1.072.836	1.881.055	730.919	853.508	1.584.427
1.1.1	Guarantees Subject to State Tender Law		6.279	3.759	10.038	7.398	4.575	11.973
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		801.940	1.069.077	1.871.017	723.521	848.933	1.572.454
1.2	Bank Acceptances		5.980	153.533	159.513	3.750	126.967	130.717
1.2.1	Import Letter of Acceptance		5.980	153.533	159.513	3.750	126.967	130.717
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	299.917	299.917	-	256.635	256.635
1.3.1	Documentary Letters of Credit		-	299.917	299.917	-	256.635	256.635
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Pre-financing 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		-	7.974	7.974	-	10.429	10.429
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	III-a-1	616.552	680.730	1.297.282	625.226	392.275	1.017.501
2.1	Irrevocable Commitments		616.552	680.730	1.297.282	625.226	392.275	1.017.501
2.1.1	Asset Purchase and Sales Commitments		139.525	680.730	820.255	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		110.876	-	110.876	105.005	-	105.005
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		332.036	-	332.036	302.867	-	302.867
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		19.109	-	19.109	17.475	-	17.475
2.1.10	Promotion Commitments for Credit Cards and Banking Services		9	-	9	14	-	14
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	-	-	-
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		5.525.745	23.294.864	28.820.609	4.957.812	15.834.752	20.792.564
3.1	Hedging Derivative Financial Instruments		885.008	3.480.044	4.365.052	587.700	2.115.800	2.703.500
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		885.008	3.480.044	4.365.052	587.700	2.115.800	2.703.500
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.640.737	19.814.820	24.455.557	4.370.112	13.718.952	18.089.064
3.2.1	Forward Foreign Currency Buy/Sell Transactions		452.604	665.130	1.117.734	329.245	686.909	1.016.154
3.2.1.1	Forward Foreign Currency Transactions-Buy		359.112	215.225	574.337	205.259	297.660	502.919
3.2.1.2	Forward Foreign Currency Transactions-Sell		93.492	449.905	543.397	123.986	389.249	513.235
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		1.362.716	14.035.340	15.398.056	2.691.398	8.602.947	11.294.345
3.2.2.1	Foreign Currency Swap-Buy		82.624	4.430.674	4.513.298	1.283.949	1.201.567	2.485.516
3.2.2.2	Foreign Currency Swap-Sell		1.280.092	3.225.610	4.505.702	967.449	1.563.264	2.530.713
3.2.2.3	Interest Rate Swap-Buy		-	3.189.528	3.189.528	220.000	2.919.058	3.139.058
3.2.2.4	Interest Rate Swap-Sell		-	3.189.528	3.189.528	220.000	2.919.058	3.139.058
3.2.3	Foreign Currency, Interest rate and Securities Options		2.825.417	5.114.350	7.939.767	1.347.249	4.429.096	5.776.345
3.2.3.1	Foreign Currency Options-Buy		1.332.633	2.640.328	3.972.961	734.860	2.151.650	2.886.510
3.2.3.2	Foreign Currency Options-Sell		1.492.784	2.474.022	3.966.806	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		-	-	-	2.220	-	2.220
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		34.645.875	23.854.456	58.500.331	30.083.751	20.258.797	50.342.548
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		1.554.024	135.964	1.689.988	1.541.650	136.089	1.677.739
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		549.396	51.439	600.835	488.524	31.344	519.868
4.3	Cheques Received for Collection		969.787	63.893	1.033.680	985.735	85.790	1.071.525
4.4	Commercial Notes Received for Collection		34.841	20.632	55.473	67.391	18.955	86.346
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>		33.091.851	23.715.163	56.807.014	28.542.101	20.119.716	48.661.817
5.1	Marketable Securities		1.031	1.031	2.062	2.650	-	2.650
5.2	Guarantee Notes		20.523.682	11.079.140	31.602.822	18.791.720	9.532.145	28.323.865
5.3	Commodity		1.040.227	7.161	1.047.388	963.418	-	972.557
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		10.827.813	9.647.299	20.475.112	8.264.710	7.295.770	15.560.480
5.6	Other Pledged Items		699.098	2.981.563	3.680.661	519.603	3.282.662	3.802.265
5.7	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	3.329	3.329	-	2.992	2.992
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		41.602.399	49.364.310	90.966.709	36.401.486	37.733.363	74.134.849

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

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

**BURGAN BANK A.Ş.  
CONSOLIDATED INCOME STATEMENT AS AT  
30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016**

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

III.	INCOME STATEMENT	Note (Section Five)	01/01/2017- 30/09/2017	01/01/2016- 30/09/2016	01/07/2017- 30/09/2017	01/07/2016- 30/09/2016
I.	INTEREST INCOME	IV-a	1.141.074	910.670	399.584	309.919
1.1	Interest on Loans		812.531	608.254	297.121	206.294
1.2	Interest Received from Reserve Requirements		13.900	7.139	5.754	2.370
1.3	Interest Received from Banks		23.904	2.263	3.637	278
1.4	Interest Received from Money Market Transactions		2.495	6.064	422	1.560
1.5	Interest Received from Marketable Securities Portfolio		34.529	31.179	8.638	10.297
1.5.1	Trading Financial Assets		4.483	5.128	1.588	1.888
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-	-	-
1.5.3	Available-for-sale Financial Assets		24.637	26.051	5.251	8.409
1.5.4	Held-to-maturity Investments		5.409	-	1.799	-
1.6	Financial Lease Income		92.909	65.151	35.400	23.517
1.7	Other Interest Income	IV-k	160.806	190.620	48.612	65.603
II.	INTEREST EXPENSE (-)	IV-b	774.053	601.808	273.913	200.236
2.1	Interest on Deposits (-)		399.970	285.480	153.218	99.660
2.2	Interest on Funds Borrowed (-)		145.059	92.921	56.845	34.355
2.3	Interest Expense on Money Market Transactions (-)		15.815	18.034	3.102	5.687
2.4	Interest on Securities Issued (-)		1.436	8.946	-	3.170
2.5	Other Interest Expenses (-)	IV-k	211.773	196.427	60.748	57.364
III.	NET INTEREST INCOME (I - II)		367.021	308.862	125.671	109.683
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		32.060	29.318	9.583	10.420
4.1	Fees and Commissions Received		38.767	36.032	12.224	12.244
4.1.1	Non-cash Loans		13.575	10.665	4.690	3.817
4.1.2	Other	IV-k	25.192	25.367	7.534	8.427
4.2	Fees and Commissions Paid (-)		6.707	6.714	2.641	1.824
4.2.1	Non-cash Loans (-)		366	424	106	175
4.2.2	Other (-)	IV-k	6.341	6.290	2.535	1.649
V.	DIVIDEND INCOME		330	627	-	-
VI.	TRADING INCOME / (LOSS) (Net)	IV-c	6.137	10.641	(1.690)	2.473
6.1	Trading Gains/(Losses) on Securities		3.161	8.262	1.184	(962)
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		7.791	(385)	5.435	2.716
6.3	Foreign Exchange Gains/(Losses)		(4.815)	2.764	(8.309)	719
VII.	OTHER OPERATING INCOME	IV-d	16.384	13.977	5.004	4.536
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		421.932	363.425	138.568	127.112
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-e	74.444	60.635	27.859	18.930
X.	OTHER OPERATING EXPENSES (-)	IV-f	261.004	247.664	84.006	82.132
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		86.484	55.126	26.703	26.050
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-	-	-
XV.	INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-g	86.484	55.126	26.703	26.050
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-h	20.922	14.730	6.222	5.773
16.1	Current Tax Provision (-)		11.873	14.274	(2.419)	7.891
16.2	Deferred Tax Provision (-)		9.049	456	8.641	(2.118)
XVII.	NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV- XVI)	IV-i	65.562	40.396	20.481	20.277
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1	Income from Non-Current Assets Held for Resale		-	-	-	-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-	-	-
18.3	Other Income from Discontinued Operations		-	-	-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1	Expense from Non-Current Assets Held for Resale		-	-	-	-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-	-	-
19.3	Other Expenses from Discontinued Operations		-	-	-	-
XX.	INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Current tax provision		-	-	-	-
21.2	Deferred tax provision		-	-	-	-
XXII.	NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-	-	-
XXIII.	NET INCOME/(LOSS) (XVII+XXII)	IV-j	65.562	40.396	20.481	20.277
	Earnings / (Loss) per share (1.000 nominal in TL full)		0,728	0,449	0,228	0,225

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



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

**BURGAN BANK A.Ş.**

**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN  
EQUITY FOR THE 30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016**

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

<b>IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY</b>	<b>30/09/2017</b>	<b>30/09/2016</b>
<b>ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE</b>		
<b>I. FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>9.923</b>	<b>5.378</b>
<b>II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>	-	-
<b>III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>	-	-
<b>FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN</b>		
<b>IV. CURRENCY TRANSACTIONS</b>	-	-
<b>INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS</b>		
<b>V. (Effective Part of Fair Value Changes)</b>	<b>(3.716)</b>	<b>(17.856)</b>
<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE</b>		
<b>VI. FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS</b>	-	-
<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING</b>		
<b>VIII. TO TAS</b>	<b>(31)</b>	<b>151</b>
<b>IX. DEFERRED TAX ON VALUATION DIFFERENCES</b>	<b>1.712</b>	<b>2.495</b>
<b>X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>7.888</b>	<b>(9.832)</b>
<b>XI. CURRENT PERIOD INCOME/LOSS</b>	<b>65.562</b>	<b>40.396</b>
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	1.958	3.650
Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the		
11.2 Income Statement	-	-
Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented		
11.3 on the Income Statement	-	-
11.4 Other	63.604	36.746
<b>XII. TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)</b>	<b>73.450</b>	<b>30.564</b>

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

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

**BURGAN BANK A.Ş.**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 SEPTEMBER 2016**

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

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

PRIOR PERIOD 30/09/2016	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Cancellation Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Lo- ss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained From Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Interest	Minority Shareholders' Interest	Total 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	-	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	-	1.012.502
Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	4.302	-	-	-	-	4.302	-	4.302
VI. Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(14.285)	-	(14.285)	-	(14.285)
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(14.285)	-	(14.285)	-	(14.285)
6.2 Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	151	-	-	-	-	151	-	151
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current Year Income or Loss		-	-	-	-	-	-	4.813	-	40.396	46.285	-	-	-	-	-	40.396	-	40.396
XX. Profit Distribution		-	-	-	-	-	-	-	-	(52.169)	-	-	-	-	-	-	-	-	-
20.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	-	-	4.813	-	(52.169)	46.285	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+...+XX)		900.000	-	-	-	20.178	-	72.911	(2.547)	40.396	-	2.075	15.122	-	(5.069)	-	1.043.066	-	1.043.066

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

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**BURGAN BANK A.Ş.  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 SEPTEMBER 2017**  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																				
CURRENT PERIOD 30/09/2017	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Cancellation	Share Premium	Share Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority/Minority Interest	Minority/Minority Interest	Total Shareholders' Equity
I. Prior Period End Balance (31/12/2016)	II-I	900,000	-	-	-	-	20,178	-	72,911	(2,375)	71,673	-	(7,871)	16,127	-	21,915	-	1,092,558	-	1,092,558
Changes in the Period																				
II. Increase/Decrease due to the Merger																				
III. Marketable Securities Valuation Differences													7,162					7,162		7,162
IV. Hedging Reserves (Effective Portion)																		(2,973)		(2,973)
4.1 Cash Flow Hedge																		(2,973)		(2,973)
4.2 Foreign Investment Hedge																				
V. Revaluation Differences of Tangible Assets																				
VI. Revaluation Differences of Intangible Assets																				
VII. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures																				
VIII. Foreign Exchange Difference																				
IX. Changes due to the Disposal of Assets																				
X. Changes due to the Reclassification of the Assets																				
XI. Effects of Changes in Equity of Investments in Associates													675					675		675
XII. Capital Increase																				
(2.1) Cash																				
(2.2) Internal Resources																				
XIII. Share Premium																				
XIV. Share Cancellation Profits																				
XV. Adjustment to Share Capital																				
XVI. Other																				
XVII. Current Year Income or Loss											65,562									
XVIII. Profit Distribution									70,509		(71,673)									
18.1 Dividend Paid																				
18.2 Transfers to Reserves									70,509		(71,673)									
18.3 Other																				
Period End Balance (I+...+XVIII)		900,000	-	-	-	-	21,342	-	143,420	(2,375)	65,562	-	(34)	19,151	-	18,942	-	1,166,006	-	1,166,006

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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED  
30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016**

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

<b>VI. STATEMENT OF CASH FLOWS</b>	<b>Note (Section Five)</b>	<b>Current Period 30/09/2017</b>	<b>Prior Period 30/09/2016</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>157.295</b>	<b>117.837</b>
1.1.1 Interest received		1.100.799	913.773
1.1.2 Interest paid		(770.639)	(592.272)
1.1.3 Dividend received		330	627
1.1.4 Fees and commissions received		32.151	33.028
1.1.5 Other income		-	-
1.1.6 Collections from previously written-off loans and other receivables		52.171	64.121
1.1.7 Payments to personnel and service suppliers		(129.543)	(128.678)
1.1.8 Taxes paid		(20.922)	(7.109)
1.1.9 Other		(107.052)	(165.653)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(161.479)</b>	<b>(826.551)</b>
1.2.1 Net (increase)/decrease in trading securities		5.532	(26.270)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in due from banks		42.638	(109.436)
1.2.4 Net (increase)/decrease in loans		(1.834.889)	(965.588)
1.2.5 Net (increase)/decrease in other assets		(509.166)	(318.002)
1.2.6 Net (increase)/decrease in bank deposits		370.753	12.950
1.2.7 Net increase/(decrease) in other deposits		231.001	48.398
1.2.8 Net increase/(decrease) in funds borrowed		1.753.579	493.405
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net increase/(decrease) in other liabilities		(220.927)	37.992
<b>I. Net cash provided from banking operations</b>		<b>(4.184)</b>	<b>(708.714)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>262.541</b>	<b>97.067</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		(4.452)	(41.715)
2.4 Disposals of property and equipment		13.790	3.760
2.5 Cash paid for purchase of investments available-for-sale		(96.101)	(197.662)
2.6 Cash obtained from sale of investments available-for-sale		349.304	332.684
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>(49.288)</b>	<b>450.046</b>
3.1 Cash obtained from funds borrowed and securities issued		-	600.046
3.2 Cash used for repayment of funds borrowed and securities issued		(49.288)	(150.000)
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(33.062)</b>	<b>11.777</b>
<b>V. Net (increase)/decrease in cash and cash equivalents (I+II+III+IV)</b>		<b>176.007</b>	<b>(149.824)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>		<b>749.561</b>	<b>574.482</b>
<b>VII. Cash and cash equivalents at end of the period</b>		<b>925.568</b>	<b>424.658</b>

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

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

**BURGAN BANK A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**

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

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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION:**

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

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

The Parent Bank keeps their accounting records in Turkish currency in accordance with the Banking Law, Turkish Commercial Code and Turkish tax legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention as modified, except for the financial assets, liabilities and buildings, which were subject to inflation adjustment until 31 December 2004 and were carried at their fair value.

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

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

The amendments of TAS and TFRS which have entered into force as of 1 January 2017 have no material impact on the the parent bank's accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (extracted TAS 9 Financial Instruments Standard), which have been published as of reporting date but have not been effective yet, have no impact on the accounting policies, financial condition and performance of the Parent Bank. The Parent Bank assesses the impact of TFRS 9 Financial Instruments standard. The accounting policies and valuation principles applied in the preparation of consolidated financial statements are determined and applied in accordance with TAS and TFRS and are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2016. Those accounting policies and valuation principles are explained in Notes II to XXVIII below.

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

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**ACCOUNTING POLICIES (Continued)**

**I. BASIS OF PRESENTATION:**

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

None.

**Additional paragraph for convenience translation into English:**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

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

As of 30 September 2017, foreign currency denominated balances are translated into TL using the exchange rates of TL 3,5521 and TL 4,1924 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.



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

**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

The Group has no joint ventures as of 30 September 2017 and 31 December 2016.

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

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

The Parent 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.

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**ACCOUNTING POLICIES (Continued)**

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

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 30 September 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 Parent 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.

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS:**

The Group classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognized at the "settlement dates". The appropriate classification of financial assets of the Group is determined at the time of purchase by the Parent 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 fair value through profit/loss at initial recognition".

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

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

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

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

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

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

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

**c. Loans and receivables:**

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

Assets held for 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. 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 Group has no discontinued operations.

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**ACCOUNTING POLICIES (Continued)**

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

**a. Goodwill**

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

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to depreciation, but is tested annually for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36"). For the purpose of impairment testing, goodwill acquired in a business combination must be allocated from the acquisition date to each of the acquirer's cash generating units that are expected to benefit from the synergies of the business combination. Since the Group has recognised a goodwill impairment of TL 63.973 regarding the goodwill from acquisition of Burgan Yatırım Menkul Değerler A.Ş. based on the assessment done as of 31 December 2012, the net carrying value of goodwill in the consolidated financial statements is null as of 30 September 2017.

**b. Other intangible assets**

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

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

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

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

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



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**ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued):**

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 capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS:**

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

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

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

The Group provides specific provisions for lease receivables based on the assessments and estimates of the management, by considering the current communiqué.

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

Provisions are recognized when the Group 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 recognized 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 Group, 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 recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**XVIII. EXPLANATIONS ON TAXATION :**

**a. Current tax:**

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

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

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

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

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

**b. Deferred tax:**

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

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

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**ACCOUNTING POLICIES (Continued)**

**XIX. EXPLANATIONS ON BORROWINGS:**

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

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

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

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

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

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

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

**XXII. EXPLANATIONS ON GOVERNMENT GRANTS:**

As of 30 September 2017, the Group 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>30 September 2017</b>	<b>30 September 2016</b>
Net Income / (Loss) to be Appropriated to Ordinary Shareholders	65.562	40.396
Weighted Average Number of Issued Ordinary Shares (Thousand)	90.000.000	90.000.000
<b>Earnings Per Ordinary Shares (Disclosed in Thousand TL)</b>	<b>0,728</b>	<b>0,449</b>

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

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

**XXV. EXPLANATIONS ON RELATED PARTIES:**

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

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

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

**XXVII. EXPLANATIONS ON SEGMENT REPORTING:**

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

**XXVIII. RECLASSIFICATIONS:**

None.

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**SECTION FOUR**

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

**I. EXPLANATIONS ON EQUITY:**

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

As of 30 September 2017 Bank's total capital has been calculated as TL 2.247.155, Capital adequacy ratio is 15,52%. As of 31 December 2016, Bank's total capital amounted to TL 2.147.530, capital adequacy ratio was 15,84% calculated pursuant to former regulations.

**a. Information about total capital:**

	Current Period 30 September 2017	Amounts related to treatment before 1/1/2014(*)	Prior Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>				
Paid-in capital following all debts in terms of claim in liquidation of the Bank	900.000		900.000	
Share issue premiums	-		-	
Reserves	164.946		93.273	
Gains recognized in equity as per TAS	39.635		39.053	
Profit	65.562		71.673	
Current Period Profit	65.562		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>1.170.143</b>		<b>1.103.999</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>-</b>		<b>-</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	4.135		11.441	
Improvement costs for operating leasing	19.118		18.835	
Goodwill (net of related tax liability)	-		-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	34.409	43.011	29.338	48.896
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	19.098		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>76.760</b>		<b>81.529</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1.093.383</b>		<b>1.022.470</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 GROUP  
(Continued)**

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

	Current Period 30 September 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 (-)	8.602	-	19.558	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-	-	-
<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>1.084.781</b>		<b>1.002.912</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)	1.065.630	-	1.055.760	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	97.156	-	90.245	-
<b>Tier II Capital Before Deductions</b>	<b>1.162.786</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.	412	-	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>412</b>		<b>835</b>	
<b>Total Tier II Capital</b>	<b>1.162.374</b>		<b>1.145.170</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2.247.155</b>		<b>2.148.082</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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(Continued)**

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

	Current Period 30 September 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	2.247.155		2.147.530	
Total risk weighted amounts	14.481.604		13.553.573	
<b>Capital Adequacy Ratios</b>				
Core Capital Adequacy Ratio (%)	7,55		7,54	
Tier 1 Capital Adequacy Ratio (%)	7,49		7,40	
Capital Adequacy Ratio (%)	15,52		15,84	
<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	3,05		3,04	
<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	31.303		26.176	
Amount arising from deferred tax assets based on temporary differences				
<b>Limits related to provisions considered in Tier II calculation</b>				
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	97.156		90.245	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	97.156		90.245	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-		-	
<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>		
<b>Issuer</b>	<b>Burgan Bank K.P.S.C.</b>	<b>Burgan Bank K.P.S.C.</b>
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)	532.815	532.815
Par value of instrument (USD)	150.000	150.000
Accounting classification	Liability-Subordinated Loans-amortised cost	Liability-Subordinated Loans-amortised cost
Original date of issuance	06.12.2013	30.03.2016
Perpetual or dated	Dated	Dated
Original maturity date	10 Years	10 Years
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year
Coupons / dividends	3 Months	3 Months
Fixed or floating dividend/coupon	Floating dividend	Floating dividend
Coupon rate and any related index	LIBOR+3,75	LIBOR+3,75
Existence of a dividend stopper	-	-
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, specify instrument type convertible into	-	-
If convertible, specify issuer of instrument it converts into	-	-
Write-down feature	None	None
If write-down, write-down trigger(s)	-	-
If write-down, full or partial	-	-
If write-down, permanent or temporary	-	-
If temporary write-down, description of write-up mechanism	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.	Before debt instruments to be included in supplementary capital calculation but after the deposit holders and all other creditors of the Debtor.
In compliance with article number 7 and 8 of "Own fund regulation"	None	None
Details of incompliances with article number 7 and 8 of "Own fund regulation"	None	None

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

**II. EXPLANATIONS ON RISK MANAGEMENT:**

**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 30 September 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
		30 September 2017	31 December 2016	30 September 2017
1	Credit risk (excluding counterparty credit risk) (CCR)	13.162.910	12.479.832	1.053.033
2	Standardised approach (SA)	13.162.910	12.479.832	1.053.033
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	386.107	317.260	30.889
5	Standardised approach for counterparty credit risk (SA-CCR)	386.107	317.260	30.889
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	116.434	98.580	9.315
17	Standardised approach (SA)	116.434	98.580	9.315
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	816.153	657.901	65.292
20	Basic indicator approach	816.153	657.901	65.292
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>14.481.604</b>	<b>13.553.573</b>	<b>1.158.529</b>

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**III. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK:**

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

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

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

	EUR		USD	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
<b>30 September 2017 / 31 December 2016</b>				
<b>Bid rate</b>	<b>TL 4,1924</b>	<b>TL 3,7099</b>	<b>TL 3,5521</b>	<b>TL 3,5192</b>
1. Day bid rate	TL 4,1924	TL 3,7099	TL 3,5521	TL 3,5192
2. Day bid rate	TL 4,2023	TL 3,6939	TL 3,5720	TL 3,5318
3. Day bid rate	TL 4,1891	TL 3,6901	TL 3,5657	TL 3,5329
4. Day bid rate	TL 4,1747	TL 3,6711	TL 3,5344	TL 3,5135
5. Day bid rate	TL 4,1818	TL 3,6639	TL 3,5162	TL 3,5041

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

	EUR		USD	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Arithmetic average-30 days	TL 4,1397	TL 3,6848	TL 3,4656	TL 3,4950

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**III. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued):**

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

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

	EUR	USD	Other FC	Total
<b>30 September 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	7.368	950.909	1.153	959.430
Due From Banks	11.081	22.001	2.009	35.091
Financial Assets at Fair Value Through Profit or Loss (*)	25.341	14.763	14.571	54.675
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	1	90.698	-	90.699
Loans (*)	4.643.270	2.967.990	1.002	7.612.262
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-Maturity Investments	-	161.459	-	161.459
Hedging Derivative Financial Assets (*)	625	3.966	-	4.591
Tangible Assets	-	1.344	-	1.344
Intangible Assets	-	882	-	882
Other Assets	965.388	521.398	57	1.486.843
<b>Total Assets</b>	<b>5.653.074</b>	<b>4.735.410</b>	<b>18.792</b>	<b>10.407.276</b>
<b>Liabilities</b>				
Bank Deposits	21.308	7.692	3	29.003
Foreign Currency Deposits	1.002.686	4.444.967	129.948	5.577.601
Funds From Interbank Money Market	-	186.482	-	186.482
Funds Borrowed From Other Financial Institutions	1.475.840	4.592.112	1.001	6.068.953
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	104.905	165.405	25	270.335
Hedging Derivative Financial Liabilities	1.247	11.176	2	12.425
Other Liabilities (*)	7.112	27.558	13.092	47.762
<b>Total Liabilities</b>	<b>2.613.098</b>	<b>9.435.392</b>	<b>144.071</b>	<b>12.192.561</b>
<b>Net On-balance Sheet Position</b>	<b>3.039.976</b>	<b>(4.699.982)</b>	<b>(125.279)</b>	<b>(1.785.285)</b>
<b>Net Off-balance Sheet Position</b>	<b>(2.951.845)</b>	<b>4.813.326</b>	<b>124.819</b>	<b>1.986.300</b>
Financial Derivative Assets	545.119	7.347.117	775.949	8.668.185
Financial Derivative Liabilities	3.496.964	2.533.791	651.130	6.681.885
<b>Non-Cash Loans (**)</b>	<b>626.886</b>	<b>872.743</b>	<b>34.631</b>	<b>1.534.260</b>
<b>31 December 2016</b>				
<b>Total Assets (*)</b>	<b>4.464.722</b>	<b>5.354.383</b>	<b>16.732</b>	<b>9.835.837</b>
<b>Total Liabilities (*)</b>	<b>3.064.516</b>	<b>7.070.203</b>	<b>97.715</b>	<b>10.232.434</b>
<b>Net On-balance Sheet Position</b>	<b>1.400.206</b>	<b>(1.715.820)</b>	<b>(80.983)</b>	<b>(396.597)</b>
<b>Net Off-balance Sheet Position</b>	<b>(1.357.925)</b>	<b>1.558.575</b>	<b>81.299</b>	<b>281.949</b>
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	1.987.518	72.216	4.459.155
<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 732.646 (31 December 2016: TL 878.488) classified as Turkish Lira assets in the 30 September 2017 financial statements are added to the table above and there is no foreign currency indexed loans received in the current period (31 December 2016: None). Besides these, in assets "Income Accruals of Derivative Financial Instruments" amounting to TL 34.192 (31 December 2016: TL 3.769), in liabilities "Expense Accruals of Derivative Financial Instruments" amounting to TL 9.266 (31 December 2016: TL 9.622), "General Provisions" amounting to TL 57.248 (31 December 2016: TL 53.785), free provisions amounting to TL 22.466 (31 December 2016: TL 19.721) and "Marketable Securities Valuation Reserve" with "Hedging Derivative Financials" amounting to TL 250 (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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**IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK:**

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

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

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

<b>30 September 2017</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	1.724.078	-	-	-	-	39.917	1.763.995
Due From Banks	12.628	-	-	-	-	25.688	38.316
Financial Assets at Fair Value Through Profit/Loss (*)	26.806	60.066	225.259	56.194	3.457	-	371.782
Interbank Money Market Placements	6.980	-	-	-	-	-	6.980
Available-for-Sale Financial Assets	225	19.772	69.397	119.850	51.857	11.572	272.673
Loans	4.637.175	1.506.918	3.784.008	2.342.900	72.835	134.613	12.478.449
Held-to-Maturity Investments	-	-	-	161.459	-	-	161.459
Other Assets	88.533	65.240	333.542	1.066.413	214.967	421.024	2.189.719
<b>Total Assets</b>	<b>6.496.425</b>	<b>1.651.996</b>	<b>4.412.206</b>	<b>3.746.816</b>	<b>343.116</b>	<b>632.814</b>	<b>17.283.373</b>
<b>Liabilities</b>							
Bank Deposits	64.200	-	-	-	-	8.210	72.410
Other Deposits	5.688.248	2.231.314	574.867	839	-	284.779	8.780.047
Funds From Interbank Money Market	191.568	-	55.930	-	-	-	247.498
Miscellaneous Payables	-	-	-	-	-	321.558	321.558
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1.266.525	2.820.613	837.701	1.333.706	-	-	6.258.545
Other Liabilities (**)(**)	4.335	35.178	47.693	55.794	137	1.460.178	1.603.315
<b>Total Liabilities</b>	<b>7.214.876</b>	<b>5.087.105</b>	<b>1.516.191</b>	<b>1.390.339</b>	<b>137</b>	<b>2.074.725</b>	<b>17.283.373</b>
<b>Balance Sheet Long Position</b>	-	-	<b>2.896.015</b>	<b>2.356.477</b>	<b>342.979</b>	-	<b>5.595.471</b>
<b>Balance Sheet Short Position</b>	<b>(718.451)</b>	<b>(3.435.109)</b>	-	-	-	<b>(1.441.911)</b>	<b>(5.595.471)</b>
<b>Off-balance Sheet Long Position</b>	<b>505.008</b>	<b>573.984</b>	<b>1.032.448</b>	-	-	-	<b>2.111.440</b>
<b>Off-balance Sheet Short Position</b>	-	-	-	<b>(1.925.561)</b>	-	-	<b>(1.925.561)</b>
<b>Total Position</b>	<b>(213.443)</b>	<b>(2.861.125)</b>	<b>3.928.463</b>	<b>430.916</b>	<b>342.979</b>	<b>(1.441.911)</b>	<b>185.879</b>

(\*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 188.362 and other liabilities includes hedging derivative financial liabilities amounting to TL 37.440 classified to a related re-pricing periods.

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

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**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP  
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**IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):**

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

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

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**IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):**

**b. Average interest rates for monetary financial instruments:**

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

<b>30 September 2017</b>	<b>EUR</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,25	-	4,00
Due From Banks	-	0,14	-	-
Financial Assets at Fair Value Through Profit/Loss	4,73	5,55	-	11,33
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,32	-	9,67
Loans	5,07	6,35	-	15,90
Held-to-Maturity Investments	-	5,96	-	-
<b>Liabilities</b>				
Bank Deposits	1,26	-	-	9,19
Other Deposits (*)	1,91	4,00	-	13,39
Funds From Interbank Money Market	-	2,60	-	11,35
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	2,24	3,82	-	12,60

(\*) 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>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</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	-	11,29
Financial Assets at Fair Value Through Profit/Loss	4,79	7,90	-	8,82
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,23
Loans	4,92	6,20	-	15,13
Held-to-Maturity Investments	-	5,96	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	8,16
Other Deposits (*)	1,97	3,31	-	11,01
Funds From Interbank Money Market	-	2,27	-	8,27
Miscellaneous Payables	-	-	-	11,25
Marketable Securities Issued	-	-	-	13,69
Funds Borrowed From Other Financial Institutions	1,99	3,59	-	9,47

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

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(Continued)**

**IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued):**

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

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

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

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

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

Currency	Applied Shock (+/- x basis point)	Earnings/ Losses	Earnings/ Equities-Losses/ Equities
1. TRY	+500 bp	(116.722)	(5,2) %
2. TRY	-400 bp	107.767	4,8%
3. EURO	+200 bp	(10.188)	(0,5) %
4. EURO	-200 bp	(1.517)	(0,1) %
5. USD	+200 bp	(25.082)	(1,1) %
6. USD	-200 bp	22.314	1,0%
<b>Total (For Negative Shocks)</b>		<b>128.564</b>	<b>5,7%</b>
<b>Total (For Positive Shocks)</b>		<b>(151.992)</b>	<b>(6,7) %</b>

**V. SHARE POSITION RISK RESULTING FROM BANKING ACCOUNTS:**

None.



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**VI. EXPLANATIONS ON CONSOLIDATED 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 Parent Bank is determined with "Burgan Bank Risk Management Policy" and "Burgan Bank Liquidity Risk Policy" documents approved by Bank's Board of Directors and "Burgan Bank Risk Management Policy" and "Burgan Bank Treasury Policy" and "Burgan Bank Assets & Liabilities Management Committee (ALCO)" in scope of banking legislation.

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

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

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

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

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

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

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

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

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

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

**Liquidity Coverage Ratio:**

30 September 2017		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	High Quality Liquid Assets			1.871.079	1.318.017
<b>CASH OUTFLOWS</b>					
2	Retail and Small Business Customers Deposits	5.725.874	3.388.980	549.133	338.898
3	Stable deposits	469.087	-	23.454	-
4	Less stable deposits	5.256.787	3.388.980	525.679	338.898
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.971.066	2.276.400	1.580.240	1.126.650
6	Operational deposits	1.115.067	948.620	278.767	237.155
7	Non-Operational Deposits	1.214.735	941.445	660.645	503.160
8	Other Unsecured Funding	641.264	386.335	640.828	386.335
9	Secured funding			-	-
10	Other Cash Outflows	89.827	57.474	89.827	57.474
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	89.827	57.474	89.827	57.474
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	2.506.135	1.452.915	288.665	179.242
16	<b>TOTAL CASH OUTFLOWS</b>			<b>2.507.865</b>	<b>1.702.264</b>
<b>CASH INFLOWS</b>					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.238.408	460.163	881.824	349.923
19	Other contractual cash inflows	4.240	622.380	4.240	622.380
20	<b>TOTAL CASH INFLOWS</b>	<b>1.242.648</b>	<b>1.082.543</b>	<b>886.064</b>	<b>972.303</b>
				<b>Upper Limit Applied Amounts</b>	
21	<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>1.871.079</b>	<b>1.318.017</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.621.801</b>	<b>729.961</b>
23	<b>LIQUIDITY COVERAGE RATIO(%)</b>			<b>115,37</b>	<b>180,56</b>

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

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

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

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**VI. EXPLANATIONS ON CONSOLIDATED 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 Parent Bank consist of accounts in Central Bank of Turkey at a ratio of 88% and securities issued by Undersecretariat of Treasury at a ratio of 10%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 25%, 41% and 20% respectively.

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

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

Date Range	Liabilities depending upon Possibility of Change in Fair Values of derivative transactions and Other Liabilities	
	FC	FC + TL
30 September 2017	57,474	57,474

Liquidity coverage rates are calculated weekly for unconsolidated basis and monthly for consolidated basis as of 31 December 2015 in accordance with "Regulation on Calculation of Liquidity Coverage Ratio of Banks" published in Official Gazette dated 21 March 2014 and numbered 28948. As of 30 September 2017, liquidity coverage rates must be at least 60% for foreign currency assets and liabilities and at least 80% in total assets and liabilities. Dates and values of lowest and highest foreign currency and total consolidated liquidity coverage rates calculated monthly related to the last quarter are explained in the table below:

Current Period	Maximum (%)		Minimum (%)	
	FC	FC + TL	FC	FC + TL
Monthly Arithmetic Average (%)	275,07%	124,57%	135,28%	102,77%
Monthly	30 September 2017	31 August 2017	31 July 2017	31 July 2017

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

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

30 September 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	39.917	1.724.078	-	-	-	-	-	1.763.995
Due From Banks	25.688	12.628	-	-	-	-	-	38.316
Financial Assets at Fair Value Through Profit or Loss (*)	-	20.598	53.783	63.335	224.180	9.886	-	371.782
Interbank Money Market Placements	-	6.980	-	-	-	-	-	6.980
Available-for-Sale Financial Assets	-	-	-	225	209.023	51.857	11.568	272.673
Loans	-	1.080.200	1.456.021	3.119.751	5.275.470	1.412.394	134.613	12.478.449
Held-to-Maturity Investments	-	-	-	-	161.459	-	-	161.459
Other Assets (**)	-	113.448	68.797	349.324	1.120.386	217.911	319.853	2.189.719
<b>Total Assets</b>	<b>65.605</b>	<b>2.957.932</b>	<b>1.578.601</b>	<b>3.532.635</b>	<b>6.990.518</b>	<b>1.692.048</b>	<b>466.034</b>	<b>17.283.373</b>
<b>Liabilities</b>								
Bank Deposits	8.210	64.200	-	-	-	-	-	72.410
Other Deposits	284.779	5.688.248	2.231.314	574.867	839	-	-	8.780.047
Funds Borrowed From Other Financial Institutions	-	233.300	166.849	1.770.582	2.995.843	1.091.971	-	6.258.545
Funds From Interbank Money Market	-	61.016	-	64.956	121.526	-	-	247.498
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	172.627	-	-	-	-	148.931	321.558
Other Liabilities (*) (***)	-	73.033	34.305	57.215	101.775	1.566	1.335.421	1.603.315
<b>Total Liabilities</b>	<b>292.989</b>	<b>6.292.424</b>	<b>2.432.468</b>	<b>2.467.620</b>	<b>3.219.983</b>	<b>1.093.537</b>	<b>1.484.352</b>	<b>17.283.373</b>
<b>Net Liquidity Gap</b>	<b>(227.384)</b>	<b>(3.334.492)</b>	<b>(853.867)</b>	<b>1.065.015</b>	<b>3.770.535</b>	<b>598.511</b>	<b>(1.018.318)</b>	<b>-</b>
<b>Net Off-balance sheet position</b>	<b>-</b>	<b>651.964</b>	<b>722.516</b>	<b>333.867</b>	<b>(85.994)</b>	<b>(7.948)</b>	<b>-</b>	<b>1.614.405</b>
Financial Derivative Assets	-	4.399.426	1.830.625	907.339	1.187.687	80.004	-	8.405.081
Financial Derivative Liabilities	-	(3.747.462)	(1.108.109)	(573.472)	(1.273.681)	(87.952)	-	(6.790.676)
<b>Non-cash Loans</b>	<b>-</b>	<b>1.210.745</b>	<b>265.003</b>	<b>641.471</b>	<b>225.022</b>	<b>6.246</b>	<b>-</b>	<b>2.348.487</b>
<b>31 December 2016</b>								
Total Assets	45.631	2.876.438	1.870.483	2.487.529	5.849.570	1.535.311	429.183	15.094.145
Total Liabilities	461.320	5.929.603	2.419.708	2.642.471	1.122.148	1.155.483	1.363.412	15.094.145
<b>Net Liquidity Gap</b>	<b>(415.689)</b>	<b>(3.053.165)</b>	<b>(549.225)</b>	<b>(154.942)</b>	<b>4.727.422</b>	<b>379.828</b>	<b>(934.229)</b>	<b>-</b>
<b>Net Off-balance sheet position</b>	<b>-</b>	<b>333.859</b>	<b>479.781</b>	<b>227.816</b>	<b>(92.288)</b>	<b>(566)</b>	<b>-</b>	<b>948.602</b>
Financial Derivative Assets	-	2.845.074	1.835.788	574.212	671.041	105	-	5.926.220
Financial Derivative Liabilities	-	(2.511.215)	(1.356.007)	(346.396)	(763.329)	(671)	-	(4.977.618)
<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 188.362 and the 1-5 years maturity period of Other Liabilities includes hedging derivative financial liabilities amounting to TL 37.440.

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

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

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**VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO:**

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

As of 30 September 2017, leverage ratio of the Bank calculated from the arithmetic average of the three months is 5,12% (31 December 2016: 5,64%). 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 and off-balance sheet assets.

**Disclosure of Leverage ratio template :**

	30 September 2017 (*)	31 December 2016 (*)
<b>Balance sheet assets</b>		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	17.352.484	14.403.079
(Assets deducted from Core capital)	61.653	62.384
Total risk amount of balance sheet assets	17.290.831	14.340.695
<b>Derivative financial assets and credit derivatives</b>		
Cost of replenishment for derivative financial assets and credit derivatives	283.726	212.479
Potential credit risk amount of derivative financial assets and credit derivatives	107.963	82.983
Total risk amount of derivative financial assets and credit derivatives	391.689	295.462
<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	3.376.450	3.071.949
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.376.450	3.071.949
<b>Capital and total risk</b>		
Core Capital	1.077.500	994.248
Total risk amount	21.058.970	17.708.106
<b>Leverage ratio</b>		
Leverage ratio	5,12%	5,64%

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

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**VIII. EXPLANATIONS ON HEDGE TRANSACTIONS:**

As of 30 September 2017, The Parent Bank applies cash flow hedge accounting using interest swaps to hedge its FC deposits with an average maturity upto 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 188.362 derivative financial assets (31 December 2016: TL 184.186) and TL 37.440 derivative financial liabilities (31 December 2016: TL 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 2.973 (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 months maturity FC deposits and other debts	Cash flow risk of changes in market interest rates	185.423	33.302	19.639	
Interest Rate Swap	Floating rate up to 3 months maturity FC deposits and other debts	Cash flow risk of changes in market interest rates	2.939	4.138	(697)	

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 30 September 2017 that above mentioned cash flow hedging transactions are effective.

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

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



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**X. EXPLANATIONS ON OPERATING SEGMENTS:**

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

Retail banking provides products and services include primarily deposit, loan, credit card, automatic payment services, internet banking and other various banking services to individual customers and customers in the private banking segment.

Corporate and commercial banking provides loan, deposit, cash management products, foreign trade products, non-cash loans, foreign currency transactions to small, medium and large scale of customers.

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

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

Prior period financial information is presented as at 31 December 2016 for balance sheet and as at 30 September 2016 for income statements items.

	<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>
<b>30 September 2017</b>					
Net Interest Income	45.899	246.328	26.944	47.850	367.021
Net Fees and Commissions	4.141	20.064	-	7.855	32.060
Commercial Profit/Loss	6.902	11.414	(12.614)	435	6.137
Other Operating Income	1.573	7.153	-	7.658	16.384
<b>Operating Income</b>	<b>58.515</b>	<b>284.959</b>	<b>14.330</b>	<b>63.798</b>	<b>421.602</b>
<b>Operating Costs (-)</b>	<b>49.229</b>	<b>152.091</b>	<b>18.752</b>	<b>115.376</b>	<b>335.448</b>
<b>Net Operating Income</b>	<b>9.286</b>	<b>132.868</b>	<b>(4.422)</b>	<b>(51.578)</b>	<b>86.154</b>
Dividend Income	-	-	-	330	330
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
<b>Profit Before Tax</b>	<b>9.286</b>	<b>132.868</b>	<b>(4.422)</b>	<b>(51.248)</b>	<b>86.484</b>
Tax Provisions (-)	1.857	25.939	(884)	(5.990)	20.922
<b>Net Profit / Loss</b>	<b>7.429</b>	<b>106.929</b>	<b>(3.538)</b>	<b>(45.258)</b>	<b>65.562</b>
Segment Assets	1.186.358	12.348.652	1.470.675	2.049.107	17.054.792
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	228.581	228.581
<b>Total Assets</b>	<b>1.186.358</b>	<b>12.348.652</b>	<b>1.470.675</b>	<b>2.277.688</b>	<b>17.283.373</b>
Segments Liabilities	5.575.341	3.293.038	4.879.821	2.369.165	16.117.365
Unallocated Liabilities	-	-	-	1.166.008	1.166.008
<b>Total Liabilities</b>	<b>5.575.341</b>	<b>3.293.038</b>	<b>4.879.821</b>	<b>3.535.173</b>	<b>17.283.373</b>

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

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GROUP (Continued)**

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

	Retail Banking	Corporate and Commercial Banking	Treasury	Other and Unclassified (*)	Total Operations of the Bank
<b>30 September 2016</b>					
Net Interest Income	28.672	208.934	32.879	38.377	308.862
Net Fees and Commissions	2.537	11.519	-	15.262	29.318
Commercial Profit/Loss	6.976	6.755	(2.415)	(675)	10.641
Other Operating Income	1.238	5.338	-	7.401	13.977
<b>Operating Income</b>	<b>39.423</b>	<b>232.546</b>	<b>30.464</b>	<b>60.365</b>	<b>362.798</b>
<b>Operating Costs (-)</b>	<b>29.070</b>	<b>125.074</b>	<b>9.528</b>	<b>144.627</b>	<b>308.299</b>
<b>Net Operating Income</b>	<b>10.353</b>	<b>107.472</b>	<b>20.936</b>	<b>(84.262)</b>	<b>54.499</b>
Dividend Income	-	-	-	627	627
Income/(Loss) from subsidiaries based on equity method	-	-	-	-	-
<b>Profit Before Tax</b>	<b>10.353</b>	<b>107.472</b>	<b>20.936</b>	<b>(83.635)</b>	<b>55.126</b>
Tax Provisions (-)	2.071	21.494	4.187	(13.022)	14.730
<b>Net Profit / Loss</b>	<b>8.282</b>	<b>85.978</b>	<b>16.749</b>	<b>(70.613)</b>	<b>40.396</b>
<b>31 December 2016</b>					
Segment Assets	691.560	10.724.366	1.811.177	1.609.700	14.836.803
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-
Unallocated Assets	-	-	-	257.342	257.342
<b>Total Assets</b>	<b>691.560</b>	<b>10.724.366</b>	<b>1.811.177</b>	<b>1.867.042</b>	<b>15.094.145</b>
Segments Liabilities	4.950.035	3.336.482	3.858.095	1.609.702	13.754.314
Unallocated Liabilities	-	-	-	1.339.831	1.339.831
<b>Total Liabilities</b>	<b>4.950.035</b>	<b>3.336.482</b>	<b>3.858.095</b>	<b>2.949.533</b>	<b>15.094.145</b>

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

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**SECTION FIVE**

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

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

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

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign currency	10.892	28.998	11.498	15.353
CBRT	793.673	930.432	149.757	1.142.258
Other	-	-	-	-
<b>Total</b>	<b>804.565</b>	<b>959.430</b>	<b>161.255</b>	<b>1.157.611</b>

2. Information on the account of the CBRT:

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount	793.673	5.612	149.757	224.976
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	924.820	-	917.282
<b>Total</b>	<b>793.673</b>	<b>930.432</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 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 30 September 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 30 September 2017 (31 December 2016: 4% and 24% for all foreign currency liabilities).

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

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

- As of 30 September 2017, financial assets at fair value through profit or loss subject to repo transactions: None (31 December 2016: None).
- Positive differences related to trading derivative financial assets:

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	29.043	9.572	14.659	1.638
Swap Transactions	41.982	37.374	38.974	28.761
Futures Transactions	-	-	-	-
Options	274	38.982	588	19.685
Other	-	-	-	-
<b>Total</b>	<b>71.299</b>	<b>85.928</b>	<b>54.221</b>	<b>50.084</b>

**c. Information on banks:**

- Information on banks:

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	3.198	12.425	95.191	226.529
Foreign	27	22.666	25	16.363
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>3.225</b>	<b>35.091</b>	<b>95.216</b>	<b>242.892</b>

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

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

As of 30 September 2017, there are TL 62.251 available-for-sale financial assets given as collateral/blocked (31 December 2016: TL 29.408) and those subject to repurchase agreements amounts to TL 110.678 (31 December 2016: TL 314.305).

- Information on available-for-sale financial assets:

	30 September 2017	31 December 2016
Debt Securities	262.104	515.136
Quoted on Stock Exchange	262.104	515.136
Not Quoted	-	-
Share Certificates	11.568	30.410
Quoted on Stock Exchange	-	19.748
Not Quoted	11.568	10.662
Impairment Provision (-)	999	6.391
<b>Total</b>	<b>272.673</b>	<b>539.155</b>

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

**e. Explanations on loans:**

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

	30 September 2017		31 December 2016	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	384	-	-
Corporate Shareholders	-	384	-	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	-	-	-	-
Loans Granted To Employees	5.010	-	6.288	-
<b>Total</b>	<b>5.010</b>	<b>384</b>	<b>6.288</b>	<b>-</b>

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

**i.**

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Restructured or Rescheduled		Loans and Other Receivables (Total)	Restructured or Rescheduled	
		Loans with Restructured Payment Plans	Other		Loans with Restructured Payment Plans	Other
Non-Specialised Loans	11.444.327	3.044	-	899.509	274.408	376
Loans Given to Enterprises	-	-	-	894	-	-
Export Loans	475.214	-	-	80.297	1.749	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	389.877	-	-	-	-	-
Consumer Loans	468.412	3.044	-	18.027	1.429	-
Credit Cards	7.586	-	-	385	-	-
Other (*)	10.103.238	-	-	799.906	271.230	376
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
<b>Total</b>	<b>11.444.327</b>	<b>3.044</b>	<b>-</b>	<b>899.509</b>	<b>274.408</b>	<b>376</b>

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

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

**e. Explanations on loans (Continued)**

ii.

<b>Number of Modifications Made to Extend Payment Plan</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
1 or 2 times	3.044	274.408
3,4 or 5 times	-	-
Over 5 times	-	-
<b>Total</b>	<b>3.044</b>	<b>274.408</b>

iii.

<b>Extended Period of Time</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0-6 Months	12	250.301
6 Months – 12 Months	-	-
1-2 Years	3.032	1.414
2-5 Years	-	-
5 Years and Over	-	22.693
<b>Total</b>	<b>3.044</b>	<b>274.408</b>

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(Continued)**

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

3. 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>17.541</b>	<b>455.881</b>	<b>473.422</b>
Real estate loans	-	98.643	98.643
Automotive loans	314	14.702	15.016
Consumer loans	17.227	342.536	359.763
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	<b>2.781</b>	<b>2.781</b>
Real estate loans	-	2.781	2.781
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>3.592</b>	-	<b>3.592</b>
With installments	-	-	-
Without installments	3.592	-	3.592
<b>Individual Credit Cards- FC</b>	<b>101</b>	-	<b>101</b>
With installments	-	-	-
Without installments	101	-	101
<b>Personnel Loans-TL</b>	<b>424</b>	<b>3.716</b>	<b>4.140</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	424	3.716	4.140
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>857</b>	-	<b>857</b>
With installments	-	-	-
Without installments	857	-	857
<b>Personnel Credit Cards-FC</b>	<b>13</b>	-	<b>13</b>
With installments	-	-	-
Without installments	13	-	13
<b>Credit Deposit Account-TL (Real Person)</b>	<b>6.096</b>	-	<b>6.096</b>
<b>Credit Deposit Account-FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>28.624</b>	<b>462.378</b>	<b>491.002</b>

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

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

	Short-term	Medium and long-term	Total
<b>Commercial Installments Loans-TL</b>	<b>108.042</b>	<b>1.908.133</b>	<b>2.016.175</b>
Real estate loans	-	-	-
Automotive loans	62	10.389	10.451
Consumer loans	107.980	1.897.744	2.005.724
Other	-	-	-
<b>Commercial Installments Loans-FC Indexed</b>	<b>8.559</b>	<b>483.142</b>	<b>491.701</b>
Real estate loans	-	-	-
Automotive loans	34	5.680	5.714
Consumer loans	8.525	477.462	485.987
Other	-	-	-
<b>Commercial Installments Loans-FC</b>	<b>-</b>	<b>3.802.529</b>	<b>3.802.529</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	3.802.529	3.802.529
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>3.402</b>	<b>-</b>	<b>3.402</b>
With installment	-	-	-
Without installment	3.402	-	3.402
<b>Corporate Credit Cards-FC</b>	<b>6</b>	<b>-</b>	<b>6</b>
With installment	-	-	-
Without installment	6	-	6
<b>Credit Deposit Account-TL (Legal Person)</b>	<b>17.934</b>	<b>-</b>	<b>17.934</b>
<b>Credit Deposit Account-FC (Legal Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>137.943</b>	<b>6.193.804</b>	<b>6.331.747</b>

5. Loans according to types of borrowers:

	30 September 2017	31 December 2016
Public	-	-
Private	12.343.836	10.598.961
<b>Total</b>	<b>12.343.836</b>	<b>10.598.961</b>

6. Distribution of domestic and foreign loans:

	30 September 2017	31 December 2016
Domestic Loans	12.343.836	10.598.961
Foreign Loans	-	-
<b>Total</b>	<b>12.343.836</b>	<b>10.598.961</b>

7. Loans given to investments in associates and subsidiaries:

None (31 December 2016 : None).



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

8. Specific provisions provided against loans:

	30 September 2017	31 December 2016
Loans and Other Receivables with Limited Collectability	5.178	14.218
Loans and Other Receivables with Doubtful Collectability	12.057	18.576
Uncollectible Loans and Other Receivables	186.949	112.580
<b>Total</b>	<b>204.184</b>	<b>145.374</b>

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

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>30 September 2017</b>			
(Gross amounts before the Specific Reserves)			
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	315	7.295
<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>55.502</b>	<b>45.693</b>	<b>176.840</b>
Additions (+)	83.588	16.561	12.784
Transfers from Other Categories of Non-performing Loans (+)	-	74.006	83.666
Transfers to Other Categories of Non-performing Loans (-)	75.333	82.339	-
Collections (-)	19.105	8.255	24.811
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Balance at the End of the Period</b>	<b>44.652</b>	<b>45.666</b>	<b>248.479</b>
Specific Provision (-)	5.178	12.057	186.949
<b>Net Balance on Balance Sheet</b>	<b>39.474</b>	<b>33.609</b>	<b>61.530</b>

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(Continued)**

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>30 September 2017</b>			
Period-End Balance	18.113	9.300	86.167
Specific Provision (-)	2.227	4.152	70.260
<b>Net Balance on balance sheet</b>	<b>15.886</b>	<b>5.148</b>	<b>15.907</b>
<b>31 December 2016</b>			
Period-End Balance	33.402	16.331	45.129
Specific Provision (-)	11.302	8.096	27.096
<b>Net Balance on balance sheet</b>	<b>22.100</b>	<b>8.235</b>	<b>18.033</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>39.474</b>	<b>33.609</b>	<b>61.530</b>
Loans Given to Real Persons and Legal Persons (Gross)	35.840	37.695	209.621
Specific Provision Amount (-)	3.416	8.071	157.318
Loans Given to Real Persons and Legal Persons (Net)	32.424	29.624	52.303
Banks (Gross)			
Specific Provision Amount (-)			
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	8.812	7.971	38.858
Specific Provision Amount (-)	1.762	3.986	29.631
Other Loans and Receivables (Net)	7.050	3.985	9.227
<b>Prior Period (Net)</b>	<b>41.284</b>	<b>27.117</b>	<b>64.260</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)	11.201	1.878	33.739
Specific Provision Amount (-)	1.925	867	23.164
Other Loans and Receivables (Net)	9.276	1.011	10.575

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

**f. Information on held-to-maturity investments:**

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	161.459	-	161.607
Other	-	-	-	-
<b>Total</b>	-	<b>161.459</b>	-	<b>161.607</b>

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	-	-	-

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

	30 September 2017		31 December 2016	
	Government Bond	161.459		161.607
Treasury Bond	-		-	
Other Public Debt Securities	-		-	
<b>Total</b>	<b>161.459</b>		<b>161.607</b>	

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

	30 September 2017		31 December 2016	
	Debt securities	161.459		161.607
Publicly-traded	161.459		161.607	
Not publicly-traded	-		-	
Provision for impairment	-		-	
<b>Total</b>	<b>161.459</b>		<b>161.607</b>	

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

	30 September 2017		31 December 2016	
	Opening balance	161.607		-
Foreign exchange differences in monetary assets	(148)		-	
Purchases during the year	-		161.607	
Disposals through Sales and Redemptions	-		-	
Value decrease equivalent (-)	-		-	
<b>Period end balance</b>	<b>161.459</b>		<b>161.607</b>	

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

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

None (31 December 2016: None).

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

**1. Capital adequacy situation of major subsidiaries:**

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

**2. Information on unconsolidated subsidiaries:**

None. (31 December 2016: None).

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

None. (31 December 2016: None).

**4. Information on consolidated subsidiaries:**

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

(\*)According to the results the date of 30 June 2016 Burgan Portföy Yönetimi A.Ş. which is subsidiary of Burgan Yatırım Menkul Değerler A.Ş. 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. The merger process of companies was completed.

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

	Total Assets	Sharehol- ders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	2.025.068	181.908	12.479	101.918	-	20.571	13.656	-
2 (*)	137.752	61.876	4.663	9.983	2.621	(11.898)	(11.163)	-

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

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(Continued)**

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

6. Movement schedules of subsidiaries:

	30 September 2017	31 December 2016
<b>Balance at the beginning of the Period</b>	237.171	228.722
<b>Movements during the Period</b>	6.530	8.449
Purchases	-	-
Bonus Shares Obtained	-	-
Dividends from Current Year Income	-	-
Sales	-	-
Revaluation Increase(*)	6.530	8.449
Impairment Provision	-	-
<b>Balance at the end of the Period</b>	243.701	237.171
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the end of the Period (%)</b>	99.99%	99.99%

(\*)Includes pre-consolidation datas.

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

Subsidiaries	30 September 2017	31 December 2016
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	191.396	172.512
Finance Companies	-	-
Other Financial Subsidiaries	52.305	64.659
<b>Total</b>	243.701	237.171

(\*)Includes pre-consolidation datas.

8. 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):

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

	30 September 2017		31 December 2016	
	Gross	Net	Gross	Net
Less than 1 year	625.556	487.315	453.228	360.948
Between 1-4 years	1.256.989	1.066.413	876.923	750.732
More than 4 years	242.215	214.967	215.284	198.044
<b>Total</b>	2.124.760	1.768.695	1.545.435	1.309.724

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

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

	30 September 2017		31 December 2016	
	TP	FC	TP	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	182.699	5.663	176.246	7.940
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>182.699</b>	<b>5.663</b>	<b>176.246</b>	<b>7.940</b>

**l. Information on investment property:**

None (31 December 2016: None).

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

As of 30 September 2017, the Group has netted-off the calculated deferred tax asset of TL 36.344 (31 December 2016: TL 27.905) and deferred tax liability of TL 49.187 (31 December 2016: TL 33.411) on the basis of company in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 15.398 (31 December 2016: TL 8.290) and deferred tax liability of TL 28.241 (31 December 2016: TL 13.796) in the financial statements.

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

The Group has assets held for resale amounting to TL 48.199 (31 December 2016: TL 45.511) and has no discontinued operations.

	30 September 2017	31 December 2016
<b>Prior Period:</b>		
Cost	46.342	7.206
Accumulated Depreciation (-)	831	511
<b>Net Book Value</b>	<b>45.511</b>	<b>6.695</b>
<b>Current Period</b>		
Net book value at beginning of the period	45.511	6.695
Additions	13.653	41.413
Disposals (-) , net	10.843	2.131
Impairment (-)	76	49
Depreciation (-)	46	417
Cost	48.815	46.342
Accumulated Depreciation (-)	616	831
<b>Closing Net Book Value</b>	<b>48.199</b>	<b>45.511</b>

**o. Information on other assets:**

As of 30 September 2017, other assets amount to TL 231.031 (31 December 2016: TL 177.863) and does not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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

**a. Information on deposits:**

**1. Information on maturity structure of deposits:**

**i. 30 September 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	33.302	-	114.858	2.078.285	118.549	40.701	62.354	-	2.448.049
Foreign Currency Deposits	148.405	-	302.656	4.277.095	686.192	139.473	23.781	-	5.577.602
Residents in Turkey	118.752	-	301.769	4.227.364	673.094	137.394	21.611	-	5.479.984
Residents Abroad	29.653	-	887	49.731	13.098	2.079	2.170	-	97.618
Public Sector Deposits	11.676	-	-	-	-	-	-	-	11.676
Commercial Deposits	89.914	-	48.866	211.715	40.613	41.005	199.702	-	631.815
Other Institutions Deposits	1.482	-	1.947	74.277	2.131	20.468	10.600	-	110.905
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	8.210	-	43.122	-	-	21.078	-	-	72.410
The CBRT	-	-	43.122	-	-	-	-	-	43.122
Domestic Banks	91	-	-	-	-	-	-	-	91
Foreign Banks	8.119	-	-	-	-	21.078	-	-	29.197
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>292.989</b>	<b>-</b>	<b>511.449</b>	<b>6.641.372</b>	<b>847.485</b>	<b>262.725</b>	<b>296.437</b>	<b>-</b>	<b>8.852.457</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	347.743	-	171.874	4.002.789	637.320	158.834	77.070	-	5.395.630
Residents in Turkey	295.967	-	171.424	3.940.283	628.322	156.889	23.584	-	5.216.469
Residents Abroad	51.776	-	450	62.506	8.998	1.945	53.486	-	179.161
Public Sector Deposits	5.453	-	-	1.030	-	-	-	-	6.483
Commercial Deposits	68.310	-	90.563	321.628	54.162	2.369	1.426	-	538.458
Other Institutions Deposits	1.487	-	6.579	120.097	12.294	142	11.527	-	152.126
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	6.772	-	50.023	-	-	-	-	-	56.795
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	78	-	50.023	-	-	-	-	-	50.101
Foreign Banks	6.694	-	-	-	-	-	-	-	6.694
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>461.320</b>	<b>-</b>	<b>466.506</b>	<b>6.145.596</b>	<b>845.457</b>	<b>185.467</b>	<b>144.323</b>	<b>-</b>	<b>8.248.669</b>

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

2. Information on saving deposits insurance:

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

	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
<b>Saving Deposits</b>				
Saving Deposits	619.177	568.395	1.828.872	1.530.782
Foreign Currency Savings Deposit	248.907	198.348	2.978.896	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>868.084</b>	<b>766.743</b>	<b>4.807.768</b>	<b>4.153.592</b>

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

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

	30 September 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	24.237	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 26/09/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-
<b>Total</b>	<b>24.237</b>	<b>25.687</b>



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

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

Schedule of negative differences concerning trading derivative financial liabilities:

Trading Derivative Financial Liabilities	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	11.078	3.498	26.467	5.586
Swap Agreements	38.861	14.307	87.835	11.976
Futures Transactions	-	-	-	-
Options	183	37.770	482	18.493
Other	-	-	-	-
<b>Total</b>	<b>50.122</b>	<b>55.575</b>	<b>114.784</b>	<b>36.055</b>

**c. Information on borrowings:**

**1. Information on banks and other financial institutions:**

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	164.995	254.715	28.601	349.959
From Foreign Banks, Institutions and Funds	24.597	4.740.166	69.972	2.997.576
<b>Total</b>	<b>189.592</b>	<b>4.994.881</b>	<b>98.573</b>	<b>3.347.535</b>

**2. Information on maturity structure of borrowings:**

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	189.592	558.018	98.573	662.124
Medium and Long-term	-	4.436.863	-	2.685.411
<b>Total</b>	<b>189.592</b>	<b>4.994.881</b>	<b>98.573</b>	<b>3.347.535</b>

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

The Group's main funding sources are deposits and borrowings. As of 30 September 2017, deposits and borrowings from Group's risk group comprise 0,6% (31 December 2016: 0,4%) of total deposits. Besides this, borrowings from Bank's risk group comprise 57,2% (31 December 2016: 43,1%) of subordinated and other borrowings.

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

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Bills	-	-	49.288	-
Bonds	-	-	-	-
Asset guaranteed securities	-	-	-	-
<b>Total</b>	-	-	<b>49.288</b>	-

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

Other foreign liabilities amounting to TL 51.391 (31 December 2016: TL 67.278) do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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

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

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Hedging Fair Value Risk	-	-	-	-
Hedging Cash Flow Risk	25.015	12.425	27.528	1.958
Hedging Net Investment In Foreign Operations	-	-	-	-
<b>Total</b>	<b>25.015</b>	<b>12.425</b>	<b>27.528</b>	<b>1.958</b>

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

**h. Information on provisions:**

1. Information on general provisions:

	30 September 2017	31 December 2016
<b>General Provisions</b>	<b>97.156</b>	<b>90.245</b>
Provisions for First Group Loans and Receivables	85.499	80.121
Additional Provision for Loans and Receivables with Extended Maturities (*)	-	-
Provisions for Second Group Loans and Receivables	9.232	7.692
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Non-Cash Loans	2.287	1.913
Other	138	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%.

2. Information on reserve for employment termination benefits:

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

As of the date of 1 July 2017, the payment amount which is one month's salary for each working year is restricted to TL 4.732,48 (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 Group. There are assumptions in the calculation as discount rate, employee turnover and expected salary increases. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

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

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

Movement of reserve for employment termination benefits during the period:

	30 September 2017	31 December 2016
As of January 1	10.499	9.934
Service cost	4.661	2.123
Interest cost	-	1.022
Settlement cost	-	1.034
Actuarial loss/gain	-	(226)
Benefits paid (-)	2.642	3.388
<b>Total</b>	<b>12.518</b>	<b>10.499</b>

In addition, as of 30 September 2017 the Group has accounted for vacation rights provision and personnel bonus provision amounting to TL 18.068 (31 December 2016: TL 19.059).

3. Other provisions:

i. Information on provisions for possible risks:

	30 September 2017	31 December 2016
Provisions for potential risks (*)	40.981	26.784
<b>Total</b>	<b>40.981</b>	<b>26.784</b>

(\*) It also includes provisions for the Bank's potential risks of certain clients in credit portfolio.

ii. Information on other provisions:

The Group set aside under other provisions amounting to TL 9.089 (31 December 2016: TL 8.445) for lawsuits, TL 2.584 (31 December 2016: TL 2.038) for non-cash loans, TL 1.792 (31 December 2016: TL 1.301) for customer cheques commitments, TL 39 (31 December 2016: TL 143) for credit card loyalty points and TL 222 (31 December 2016: TL 220) for other receivables.

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

As of 30 September 2017, the provision related to the foreign currency difference of foreign indexed loans amounts to TL 2.023 (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 30 September 2017, after prepaid tax amount is netted off, the corporate tax provision of the Bank is TL 3.857 (31 December 2016: TL 236).

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

2. Information on taxes payable:

	30 September 2017	31 December 2016
Corporate Tax Payable	3.857	236
Taxation of Marketable Securities	11.618	9.327
Property Tax	330	137
Banking Insurance Transaction Tax	7.422	6.129
Value Added Tax Payable	82	404
Other	2.748	3.114
<b>Total</b>	<b>26.057</b>	<b>19.347</b>

3. Information on premium payables:

	30 September 2017	31 December 2016
Social Security Premiums-Employee	2.239	2.090
Social Security Premiums-Employer	3.159	2.577
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	150	135
Unemployment Insurance-Employer	300	271
Other	184	-
<b>Total</b>	<b>6.032</b>	<b>5.073</b>

4. As of 30 September 2017, the Group has netted-off the calculated deferred tax asset of TL 36.344 (31 December 2016: TL 27.905) and deferred tax liability of TL 49.187 (31 December 2016: TL 33.411) on the basis of company in accordance with "TAS 12" and has recorded a net deferred tax asset of TL 15.398 (31 December 2016: TL 8.290) and deferred tax liability of TL 13.796 (31 December 2016: TL 13.796) in the financial statements.

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

As of 30 September 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	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Carried Financial Loss (*)	18.160	18.160	3.632	3.632
Provision for Legal Cases	9.089	8.445	1.818	1.689
Provisions for Possible Risks	40.981	26.784	8.196	5.357
Reserve for Employee Rights	30.586	17.919	6.117	3.584
Other Provisions	34.879	25.860	6.976	5.172
Valuation difference of derivative financial instruments	12.880	-	2.576	-
Unearned Revenue	20.720	21.231	4.144	4.246
Other	14.427	21.124	2.885	4.225
<b>Deferred Tax Assets</b>	<b>181.722</b>	<b>139.523</b>	<b>36.344</b>	<b>27.905</b>
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	13.931	30.748	2.786	6.150
Valuation Differences of Derivative Instruments	218.668	127.710	43.734	25.542
Other	13.338	8.595	2.667	1.719
<b>Deferred Tax Liabilities</b>	<b>245.937</b>	<b>167.053</b>	<b>49.187</b>	<b>33.411</b>
<b>Deferred Tax Assets / (Liabilities) (Net)</b>	<b>(64.215)</b>	<b>(27.530)</b>	<b>(12.843)</b>	<b>(5.506)</b>

(\*) Burgan Yatırım Menkul Değerler A.Ş.'s carried financial loss amount of TL 1.061 is up to 2019, TL 11.323 is up to 2021, TL 5.776 is up to 2022, corporations will be able to use it in tax calculations.

Movement of deferred tax asset/ liabilities is presented below:

	30 September 2017	31 December 2016
Balance as of 1 January	(5.506)	9.296
Current year deferred tax income/(expense) (net)	(9.049)	(12.958)
Deferred tax charged to equity (net)	1.712	(1.844)
<b>Balance at the End of the Period</b>	<b>(12.843)</b>	<b>(5.506)</b>

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

None (31 December 2016: None).

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

**k. Information on subordinated loans:**

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

Issuing Institution	Amount	Opening Date	Maturity Date	Interest Rate(%)
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	6 December 2013	4 December 2023	LIBOR+3,75
Burgan Bank K.P.S.C. (Main Financier)	USD 150.000.000	30 March 2016	30 March 2026	LIBOR+3,75

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.074.072	-	1.057.478
Other Foreign	-	-	-	-
<b>Total</b>	-	<b>1.074.072</b>	-	<b>1.057.478</b>

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

1. Presentation of paid-in capital:

	30 September 2017	31 December 2016
Common Stock	900.000	900.000
Preferred Stock	-	-

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

Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	2.000.000

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

None.

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

None.

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

None.

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

6. Information on capital by considering the Parent Bank's profitability, prior period indicators on liquidity and uncertainty on these indicators:

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

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

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

8. Information on marketable securities valuation reserve:

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(440)	406	(872)	(6.999)
Foreign Currency Translation Difference	-	-	-	-
<b>Total</b>	<b>(440)</b>	<b>406</b>	<b>(872)</b>	<b>(6.999)</b>

9. Information on tangible assets revaluation reserve:

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Movables	-	-	-	-
Immovables	19.151	-	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>19.151</b>	<b>-</b>	<b>16.127</b>	<b>-</b>

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

The profit of the 2016, TL 71.673 is not distributed. It is classified as TL 1.164 is legal reserve and TL 70.509 is excess reserve.



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

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

**1. The amount and type of irrevocable commitments:**

	<b>30 September 2017</b>	<b>31 December 2016</b>
Foreign currency buy/sell commitments	817.589	576.525
Commitments for cheques	332.036	302.867
Loan limit commitments	110.876	105.005
Commitments for credit card limits	19.109	17.475
Capital commitments for subsidiaries	14.997	14.997
Forward securities commitments	2.666	618
Promotions for the credit cards and their care services	9	14
<b>Total</b>	<b>1.297.282</b>	<b>1.017.501</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:**

	<b>30 September 2017</b>	<b>31 December 2016</b>
Letter of guarantees	1.881.055	1.584.427
Letter of credits	299.917	256.635
Bank acceptance loans	159.513	130.717
Other guarantees	7.974	10.429
Factoring guarantees	28	28
<b>Total</b>	<b>2.348.487</b>	<b>1.982.236</b>

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

	<b>30 September 2017</b>		<b>31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Irrevocable letters of guarantee	664.705	400.174	612.453	389.228
Revocable letters of guarantee	19.888	65.255	18.689	58.023
Guarantees given to customs	92.385	26.063	73.964	33.691
Letters of guarantee given in advance	9.916	187.689	9.089	161.826
Other letters of guarantee	21.325	393.655	16.724	210.740
<b>Total</b>	<b>808.219</b>	<b>1.072.836</b>	<b>730.919</b>	<b>853.508</b>

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

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

	30 September 2017	31 December 2016
Non-cash loans given against cash loans	412.670	229.648
With original maturity of 1 year or less than 1 year	-	-
With original maturity of more than 1 year	412.670	229.648
Other non-cash loans	1.935.817	1.752.588
<b>Total</b>	<b>2.348.487</b>	<b>1.982.236</b>

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

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	780.310	1.054.995	20.945	17.420
Bank Acceptances	5.980	153.533	-	-
Letters of Credit	-	299.311	-	606
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	7.974	-	-
<b>Total</b>	<b>786.318</b>	<b>1.515.813</b>	<b>20.945</b>	<b>18.026</b>

(\*) In addition to non-cash loans stated above, the Group has non-cash loans classified as non-performing loans, amounting to TL 7.385. As of 30 September 2017, the Group has recorded a TL 2.584 provision regarding these risks.

**b. Investment Funds:**

With the permission of the Capital Markets Board dated October 21, 2016, the founder of Burgan Portföy Yönetimi A.Ş., 5 investment funds were liquidated on May 2, 2017.

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

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

As of 30 September 2017, the total amount of legal cases against the Group is TL 59.003 (31 December 2016: TL 46.548) and the Parent Bank sets aside a provision of TL 9.089 (31 December 2016: TL 8.445) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpinar Tax Administration, negative declaratory action has been claimed at "Denizli Tax Authority" and "Denizli Civil Court of General Jurisdiction" for cancellation of the payment order of TL 25.459, which was notified to the Parent Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Parent Bank. The cases are at the appeal phase. As a result, the Parent Bank did not book any provision.

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

**FITCH (9 February 2017)**

<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)

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

**a. Information on interest income:**

1. Information on interest income on loans :

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-term Loans	264.067	11.311	249.388	16.300
Medium/Long-term Loans	266.116	267.763	151.129	188.209
Interest on Loans Under Follow-up	3.274	-	3.228	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total</b>	<b>533.457</b>	<b>279.074</b>	<b>403.745</b>	<b>204.509</b>

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

2. Information on interest income on banks:

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
From the CBRT	11.082	-	-	-
From Domestic Banks	11.953	841	1.977	272
From Foreign Banks	-	28	-	14
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>23.035</b>	<b>869</b>	<b>1.977</b>	<b>286</b>

3. Information on marketable securities:

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
From Trading Financial Assets	4.341	142	4.930	198
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	19.549	5.088	15.520	10.531
From Held-to-Maturity Investments	-	5.409	-	-
<b>Total</b>	<b>23.890</b>	<b>10.639</b>	<b>20.450</b>	<b>10.729</b>

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

None (30 September 2016: None).

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

**b. Information on interest expense:**

1. Information on interest expense on borrowings:

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
Banks	9.018	126.901	11.157	74.953
The CBRT	-	-	-	-
Domestic Banks	9.018	819	11.152	793
Foreign Banks	-	126.082	5	74.160
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	9.140	-	6.811
<b>Total (*)</b>	<b>9.018</b>	<b>136.041</b>	<b>11.157</b>	<b>81.764</b>

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

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

None (30 September 2016: None).

3. Information on interest expense on issued securities

	30 September 2017	30 September 2016
Interest Expense on Issued Securities	1.436	8.946

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

Current Period	Demand Deposit	Time Deposit					Accum. Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>TL</b>								
Bank Deposits	-	3.719	-	-	-	-	-	3.719
Savings Deposits	-	11.451	155.162	6.800	2.532	4.691	-	180.636
Public Deposits	-	-	13	-	-	-	-	13
Commercial Deposits	-	7.184	33.858	3.225	2.776	9.911	-	56.954
Other Deposits	-	268	12.887	198	152	810	-	14.315
7 Day Notice Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>22.622</b>	<b>201.920</b>	<b>10.223</b>	<b>5.460</b>	<b>15.412</b>	<b>-</b>	<b>255.637</b>
<b>FC</b>								
Foreign Currency Account	-	5.928	118.448	13.899	3.413	758	-	142.446
Bank Deposits	-	1.887	-	-	-	-	-	1.887
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>7.815</b>	<b>118.448</b>	<b>13.899</b>	<b>3.413</b>	<b>758</b>	<b>-</b>	<b>144.333</b>
<b>Sum Total</b>	<b>-</b>	<b>30.437</b>	<b>320.368</b>	<b>24.122</b>	<b>8.873</b>	<b>16.170</b>	<b>-</b>	<b>399.970</b>

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

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

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

	30 September 2017	30 September 2016
<b>Income</b>	<b>14.229.013</b>	<b>10.243.122</b>
Capital Market Transactions	8.169	26.396
Derivative Financial Transactions	51.419	21.809
Foreign Exchange Gains	14.169.425	10.194.917
<b>Loss (-)</b>	<b>14.222.876</b>	<b>10.232.481</b>
Capital Market Transactions	5.008	18.134
Derivative Financial Transactions	43.628	22.194
Foreign Exchange Loss	14.174.240	10.192.153
<b>Net Income/Loss</b>	<b>6.137</b>	<b>10.641</b>

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

As of 30 September 2017, the Group's other operating income is TL 16.384 (30 September 2016: TL 13.997). TL 4.125 (30 September 2016: TL 1.078) of the amount of the other operating income is composed of profit from sales of the fixed assets that were classified as "Asset Held for Resale" of the Parent Bank.

**e. Provision expenses related to loans and other receivables:**

	30 September 2017	30 September 2016
<b>Specific Provisions for Loans and Other Receivables</b>	<b>57.464</b>	<b>37.185</b>
III. Group Loans and Receivables	3.845	9.241
IV. Group Loans and Receivables	(5.428)	(263)
V. Group Loans and Receivables	59.047	28.207
<b>General Provision Expenses</b>	<b>2.990</b>	<b>11.228</b>
Provision Expense for Possible Risks	13.990	12.222
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>74.444</b>	<b>60.635</b>

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(Continued)**

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

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

	30 September 2017	30 September 2016
Personnel Expenses	130.237	128.678
Reserve For Employee Termination Benefits (*)	5.916	4.150
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	813	-
Depreciation Expenses of Fixed Assets	8.213	7.445
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	8.344	6.775
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	76	25
Depreciation Expenses of Assets Held for Resale	46	274
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	85.995	79.558
Operational Lease Expenses	23.455	23.827
Maintenance Expenses	1.820	2.436
Advertising Expenses	741	699
Other Expense	59.979	52.596
Loss on Sales of Assets	471	259
Other	20.893	20.500
<b>Total</b>	<b>261.004</b>	<b>247.664</b>

(\*) As of 30 September 2017, the employee vacation fee provision income is TL 1.255 (30 September 2016: TL 76).

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

The Group has no discontinued operations. The Group's income before tax from continuing operations is TL 86.484 (30 September 2016: TL 55.126 income before tax).

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

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

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

As of 30 September 2017, the Group has current tax expense amounting to TL 11.873 and deferred tax expense amounting to TL 9.049.

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

The Group has TL 16.650 deferred tax income from temporary differences, the group has no deferred tax income from carried financial loss, TL 25.699 deferred tax expense arising from the closure of temporary differences to net TL 9.049 deferred tax expense.

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

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

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

As of 30 September 2017, the Group has TL 9.049 deferred tax expense arising from temporary differences and the group has no deferred tax income as a result of carried financial loss.

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

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

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

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

None.

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

None.

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

1. As of 30 September 2017, the Group's interest income amounts to TL 1.141.074 (30 September 2016: TL 910.670) and TL 160.806 (30 September 2016: TL 190.620) of the related amount is classified as "Other Interest Income" account in income statement.

	30 September 2017	30 September 2016
<b>Other Interest Income</b>		
Interest Income Related to Derivative Transactions	146.248	181.016
Other	14.558	9.604
<b>Total</b>	<b>160.806</b>	<b>190.620</b>

2. As of 30 September 2017, the Group's interest expense amount to TL 774.053 (30 September 2016: TL 601.808) and TL 211.773 (30 September 2016: TL 196.427) of the related amount is classified "Other Interest Expense" account in income statement.

	30 September 2017	30 September 2016
<b>Other Interest Expense</b>		
Interest expense related to derivative transactions	194.921	181.000
Other	16.852	15.427
<b>Total</b>	<b>211.773</b>	<b>196.427</b>



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

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

3. As of 30 September 2017, the Group's fee and commission income amounts to TL 38.767 (30 September 2016: TL 36.032) and TL 25.192 (30 September 2016: TL 25.367) of the related amount is classified under "Other fee and commission income" account.

	30 September 2017	30 September 2016
<b>Other Fee and Commissions Received</b>		
Insurance Commissions	5.667	2.031
Investment Consultancy Fees	5.294	103
Account Operating Fees	1.364	1.039
Transfer Commissions	613	816
Commissions From Brokerage Activity-Leveraged Trading	457	5.285
Credit Card and POS Transaction Commission	386	756
Commissions from Correspondent Banks	362	288
Commissions on Investment Fund Services	126	181
Common Point Commissions	78	76
Letter of Credit Commissions	6	10
Other	10.839	14.782
<b>Total</b>	<b>25.192</b>	<b>25.367</b>

4. As of 30 September 2017, Group's fee and commission expense amounts to TL 6.707 (30 September 2016: TL 6.714) and TL 6.341 (30 September 2016: TL 6.290) of the related amount is classified under "Other fee and commission expense" account.

	30 September 2017	30 September 2016
<b>Other Fee and Commissions Given</b>		
Credit Card Transaction Commission	1.916	2.491
Commissions Granted to Correspondent Banks	892	595
Stock Exchange Contribution Expenses	879	1.355
EFT Commissions	622	491
Common Point Clearing Commissions	301	320
Transfer Commissions	71	77
Other	1.660	961
<b>Total</b>	<b>6.341</b>	<b>6.290</b>

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

**V. EXPLANATIONS AND NOTES RELATED TO GROUP'S RISK GROUP**

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

1. Prior period financial information is presented as at 31 December 2016 for balance sheet and as at 30 September 2016 for income statements items.

30 September 2017:

Groups' Risk Group Loans and Other Receivables	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Balance at the Beginning of the Period	-	27.908	-	-	113	68.425
Balance at the End of the Period	-	16.639	-	384	45	69.853
Interest and Commission Income Received	-	-	-	-	11	-

31 December 2016:

Groups' Risk Group Loans and Other Receivables	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Balance at the Beginning of the Period	-	23.519	-	219	89	8.753
Balance at the End of the Period	-	27.908	-	-	113	68.425
Interest and Commission Income Received	-	-	-	-	4	-

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

Groups' Risk Group Deposit	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning of the Period	-	-	5.656	6.184	26.005	17.841
End of the Period	-	-	7.953	5.656	48.140	26.005
Interest Expense on Deposits	-	-	-	-	1.331	926

Groups' Risk Group Repurchase Transactions	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Interest Expense on Repurchase Transactions	-	-	-	-	-	-

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

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

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

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

**b. With respect to the Group's risk group:**

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

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

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

	Total Risk Group	Share in Financial Statements (%)
Borrowings	3.580.160	57,20
Non-cash loans	86.876	3,70
Deposit	56.093	0,63
Banks and Other Financial Institutions	129	0,34
Loans	45	-

As of 30 September 2017, the Group has no interest income from the storage given to banks included in the risk group (30 September 2016: None). As of 30 September 2017 the group has realized interest expense amounting TL 95.176 (30 September 2016: 56.332) from loans collected from banks included in the risk group.

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

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

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

In accordance with the limits in Banking Law, cash and non-cash loans are allocated to the Group's risk group and the amount composes 0,59% (30 September 2016: 0,38%) of the Group's total cash and non-cash loans.

As of 30 September 2017 there are no purchase-sales transactions on any assets including real-estate with the risk group consisting the Parent Bank.

As of 30 September 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 Parent 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 17.088 (30 September 2016: TL 19.327) which include total gross salary, travel, meal, health, life insurance and other expenses.

**VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

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**SECTION SIX**

**EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT**

**I. EXPLANATIONS ON INDEPENDENT LIMITED REVIEW REPORT**

The consolidated financial statements as of 30 September 2017 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited) and the auditor's independent limited review report dated 6 November 2017 has been presented prior to the consolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR**

None.

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**SECTION SEVEN**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT**

**I. EVALUATIONS FOR THE OPERATING PERIOD AND EXPECTATIONS FOR THE FUTURE BY  
THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER**

The latest economic indicators suggest a strengthening in global economic activity in 2017. According to the World Economic Outlook released in October 2017, IMF projects the global output to grow by 3,6% in 2017 and 3,6% in 2018, 0,1 percentage point stronger than the projections released in April. In advanced economies, the notable 2017 growth pick up is broad-based, with stronger activity in the United States, Euro Area and Japan. On the other hand, emerging market economies have benefited from benign global financial environment and recovery in advanced economies. Growth in China and other parts of emerging Asia remains strong, while several commodity-exporting countries continue to face difficult conditions. On the other hand, inflation in most advanced economies stays at low levels, which feeds expectations of a more gradual pace of monetary policy normalisation. Fed maintains its guidance for another 25bps hike in the policy rate in December and an additional 75bps hike in 2018. Moreover, Fed announced that it would begin reversing the asset purchases as of October in a bid to reduce its US\$4,5bn balance sheet. On the other hand, ECB is expected to announce an exit strategy soon just after the completion of the quantitative easing program by end-2017.

The Turkish economy posted 5,1% yoy growth in the second quarter of 2017 on the back of the strong fiscal measures to revive domestic demand, production and employment as well as recovery in global economy. In particular, the Credit Guarantee Fund facility has positively affected the corporate loan growth and economic activity in 2Q17. The highest contribution to GDP growth came from investments with 9,5% yoy growth in 2Q, while private consumption expanded by 3,2% yoy. Net exports continued to contribute to the economic growth thanks to the recovery in EU economies and tourism sector. Exports of goods and services increased by 10,5% in 2Q while the increase in imports of goods and services was only 2,2%. Leading indicators suggest a higher GDP growth in 3Q, mostly driven by low-base effect. However, growth rate is expected to moderate as of 4Q in parallel to the slowing loan growth. As a result, the Turkish economy is projected to grow by around 5,5% in 2017.

Fiscal balances have deteriorated notably since the beginning of the year. The central government budget deficit has widened to TRL32bn in the first nine months vs TRL12bn deficit in the same month of last year. By the end of 2017, the government projects the budget deficit to reach TRL62bn, driving the budget deficit/GDP ratio up to 1,9% in 2017, from 1,3% in 2016. According to the Medium-term Programme, the budget deficit is estimated to reach 2% of GDP by end-2017.

The current account deficit have widened since the beginning of the year, mainly driven by higher gold and energy imports. After 1% contraction in 2016, exports has expanded by 11% yoy in the first eight month of 2017, mainly thanks to stronger economic growth in Europe. Similarly, tourism sector has been recovering gradually since the beginning of the year. Tourism revenues surged by roughly 30% yoy in July and August period, lifting year-end revenue expectations towards US\$21,0bn vs US\$18,7bn in 2016. On the other hand, energy imports have risen notably in parallel to the higher oil prices and gold imports hit a record-high of US\$11,8bn in January-August period. Hence, imports increased by 13,8% yoy in the first eight month of the year, although non-gold and energy imports remained subdued. Hence, higher gold and energy imports are expected to drive the current account deficit up to 4,6% of GDP by end-2017, from 3,8% a year ago.

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**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**I. EVALUATIONS FOR THE OPERATING PERIOD AND EXPECTATIONS FOR THE FUTURE BY  
THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER  
(Continued)**

Inflationary pressures remain as of 3Q17. After having receded as low as 9,8% in July, annual inflation climbed back to 11,2% as of September, owing to FX-pass through, higher food inflation, and revival in domestic demand. Thanks to base effect, annual inflation is expected to decelerate slightly to 9,5-10% range by end-2017, and towards 8,5% by end-2018. Inflation expectations remain elevated, diverting remarkably from the target of 5% and +/-2% uncertainty band. According to the CBT survey, 1yr ahead inflation expectations stand at 8yr high of 8,5% and 2yr ahead inflation expectations stand at the highest level of the initiation of the data in 2006 (8,0%).

Under this framework, the CBT have maintained the tight monetary policy stance through using Late Liquidity Window (LLW) and Marginal Funding (MFR) rates. The CBT had increased the LLW by 225bp to 12,25% and the MFR by 75bps to 9,25% since the beginning of the year. The average weighted funding rate continues to hover around 11,95% since May 2017.

In the upcoming period, we will continue to monitor the sentiment in global financial markets, which were supportive to emerging market economies in the first nine months of the year. Hence, the strength of economic activity in US and Euro area, the course of inflation in advanced countries, the pace of policy normalization by FED and ECB's guidance will be critical in shaping the EM sentiment. In Turkey, we believe the fiscal stance of the government and the inflation outlook as well as political developments will be on top of the economic agenda next year.

Consolidated balance sheet size of our bank dated 30 September 2017 is TL 17.283.373 while consolidated deposit total is TL 8.852.457. Burgan Bank has maintained its support to customers uninterruptedly and consolidated net cash loans, leasing and factoring receivables total is realized as TL 14.247.144. In 2017, as a result of our attention on credit risk management and strong collateral structure, nonperforming loans to total cash loans ratio is 2,3%, which is below the level of the Turkish banking sector average. Our consolidated equities have realized as TL 1.166.008 while our consolidated capital adequacy ratio has risen up to 15,52%. Our Bank has made a net profit of TL 65.562 in the third quarter of 2017. We will continue to render our services in 16 cities through deepening our relations with our current customers besides gaining new customers.

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

Ali Murat DİNÇ  
Member of Board of Directors and General Manager

Mehmet N. ERTEN  
Chairman of Board of Directors

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**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

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

<u>Name</u>	<u>Duty</u>	<u>Date of Assignment</u>	<u>Educational Background</u>	<u>Banking and Managership Experience (Year)</u>
<i>Chairman and Members of Board of Directors:</i>				
Mehmet Nazmi Erten	Chairman	29.01.2014	Bachelor's degree	29
Faisal M.A. Al Radwan	Deputy Chairman	29.01.2014	Bachelor's degree	23
Eduardo Eguren Linsen	Member	20.12.2012	Bachelor's degree	25
Majed E.A.A. Al Ajeel	Member	20.12.2012	Post graduate	22
Adrian Alejandro Gostuski	Member	21.12.2012	Post graduate	35
Mehmet Alev Göçmez	Member	23.01.2013	Post graduate	33
Halil Cantekin	Member	30.03.2015	Bachelor's degree	31
Osama T. Al Ghoussein	Member	25.06.2014	Bachelor's degree	33
Ali Murat Dinç	Member and General Manager	03.02.2014	Post graduate	21
<i>General Manager</i>				
Ali Murat Dinç	Member and General Manager	03.02.2014	Post graduate	21
<i>Deputy General Managers:</i>				
Esra Aydın	Operation & Management Services	01.08.2007	Bachelor's degree	16
Mutlu Akpara	Treasury, Capital Markets and Financial Institutions	08.08.2007	Post graduate	11
Hüseyin Cem Öge	Corporate Banking	22.08.2007	Post graduate	13
Cihan Vural	Internal systems	03.11.2008	Bachelor's degree	13
Rasim Levent Ergin	Human Resources	01.11.2012	Post graduate	17
Emine Pınar Kuriş	Retail Banking	10.12.2013	Doctorate	16
Suat Kerem Sözügüzel	Commercial & SME banking	01.04.2014	Bachelor's degree	17
Hasan Hüseyin Uyar	Credits	01.04.2014	Post graduate	27
Mehmet Yalçın	Financial Affairs	20.05.2016	Bachelor's degree	19



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**

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

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

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

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

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

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

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

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

**V. SIGNIFICANT EVENTS AND TRANSACTIONS WITHIN THE PERIOD**

With the Board of Directors decision dated 14 May 2016, Burgan Portföy Yönetimi A.Ş. has agreed to firstly, liquidate its funds which belong to the founders and managers of the company. Following this decision, Burgan Portföy Yönetimi A.Ş. has agreed to carry out an accelerated merger with Burgan Yatırım Menkul Değerler A.Ş. 5 investment funds have been liquidated on 2 May 2017 and the merger process has been completed at 6 October 2017.

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

According to the decision of the Bank's Extraordinary General Assembly dated 22 June 2017, the Bank's registered capital ceiling has been increased to full TL 2 billion after the necessary approvals have been obtained.

The application made by our Bank to the Capital Markets Board for issuance of bonds for the purpose of selling to real persons and legal entities residing abroad by the nominal value of USD 400.000.000 on 13.06.2017 was approved on 21 July 2017.

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

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

**BURGAN BANK A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**

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

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**V. SUMMARY FINANCIAL INFORMATION RELATED TO ACTIVITY RESULTS OF ACCOUNTING PERIOD**

	30 September 2017	30 September 2016	Change (%)
Total assets	17.283.373	15.094.145	14,5
Credits, Leasing and Factoring Receivables (Net)	14.247.144	12.041.346	18,3
Securities	448.757	721.092	(37,8)
Deposits	8.852.457	8.248.669	7,3
Debts having credit characteristics	6.506.043	4.999.634	30,1
Shareholder's equity	1.166.008	1.092.558	6,7
Guarantee and suretyship	2.348.487	1.982.236	18,5
Capital Adequacy ratio	%15,52	%15,84	(2,0)

	01/01/2017- 30/09/2017	01/01/2016- 30/09/2016	01/07/2017- 30/09/2017	01/07/2016- 30/09/2016
Period Net Profit / (Loss)	65.562	40.396	20.481	20.277

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

The Parent Bank, gives corporate, commercial, small enterprise, individual, factoring with private banking and financial leasing with its affiliates and banking products and services having a high added value in investment banking fields thanks to its total 47 branches including 9 retail, 1 corporate and 37 mixed banking branches, its internet banking applications and call centre and 982 employees. The Group has a total of 1.066 employees.

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

**30 September 2017**

TL Million	Burgan Bank	Sector (*)	Share of our Bank (%)
Cash Credits	11.975	2.014.353	0,59
Customer Deposits	8.810	1.720.402	0,51
Branch Number	47	10.658	0,44
Personnel Number	982	195.064	0,50

(\*) Reference BRSA and The Banks Associations of Turkey