

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

## **BURGAN BANK A.Ş.**

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

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

### **Independent auditor report**

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

### **Report on the Unconsolidated Financial Statements**

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

#### ***Responsibility of the Bank’s Board of Directors for the Unconsolidated Financial statements***

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

#### ***Independent Auditor’s Responsibility***

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

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

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

## ***Opinion***

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

### **Reports on arising from other regulatory requirements:**

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

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

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

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

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

Fatma Ebru Yücel, SMMM  
Partner

Istanbul, Turkey  
March 10, 2017

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

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

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

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

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

10 March 2017

Mehmet N. ERTEN  
Chairman of the  
Board of Directors

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

Mehmet YALÇIN  
Financial Affairs  
Vice General  
Manager

Ahmet CİĞA  
Head of Accounting,  
Tax, and  
Reporting Unit

Halil CANTEKİN  
Head of the  
Audit Committee

Adrian Alejandro  
GOSTUSKI  
Member of the Audit Committee

Osama T. AL GHOUSSEIN  
Member of the  
Audit Committee

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

Name-Surname/Title : Ahmet CİĞA / Head of Accounting, Tax, and Reporting Unit  
Telephone Number : 0 212 371 34 84  
Fax Number : 0 212 371 42 48

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

BURGAN BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

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

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

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

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

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

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

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

BURGAN BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**GENERAL INFORMATION (Continued)**

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

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

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

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BURGAN BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**GENERAL INFORMATION (Continued)**

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

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

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

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

BURGAN BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016  
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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**GENERAL INFORMATION (Continued)**

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

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

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

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

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

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

None.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)

AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

I. BALANCE SHEET		Note (Section Five)	(31/12/2016)			(31/12/2015)		
			TL	FC	Total	TL	FC	Total
<b>ASSETS</b>								
I.	CASH AND BALANCES WITH CENTRAL BANK	I-a	161.250	1.157.611	1.318.861	147.885	946.187	1.094.072
II.	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)</b>	I-b	73.053	51.786	124.839	47.077	37.403	84.480
2.1	Trading Financial Assets		73.053	51.786	124.839	47.077	37.403	84.480
2.1.1	Government Debt Securities		11.975	840	12.815	7.263	2.569	9.832
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		61.078	50.111	111.189	37.656	34.610	72.266
2.1.4	Other Marketable Securities		-	835	835	2.158	224	2.382
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	<b>BANKS</b>	I-c	22	239.636	239.658	87.094	107.918	195.012
IV.	<b>MONEY MARKETS</b>		-	-	-	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
V.	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	I-d	346.982	168.612	515.594	269.040	380.474	649.514
5.1	Share Certificates		6.849	-	6.849	6.849	-	6.849
5.2	Government Debt Securities		338.714	92.465	431.179	258.441	279.985	538.426
5.3	Other Marketable Securities		1.419	76.147	77.566	3.750	100.489	104.239
VI.	<b>LOANS</b>	I-e	4.620.245	6.064.455	10.684.700	3.727.581	4.458.500	8.186.081
6.1	Loans		4.508.446	6.064.455	10.572.901	3.636.333	4.458.500	8.094.833
6.1.1	Loans to Bank's Risk Group		106	7	113	84	5	89
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		4.508.340	6.064.448	10.572.788	3.636.249	4.458.495	8.094.744
6.2	Loans under Follow-up		231.217	-	231.217	210.305	-	210.305
6.3	Specific Provisions (-)		119.418	-	119.418	119.057	-	119.057
VII.	<b>FACTORING RECEIVABLES</b>	I-e	123	704	827	856	817	1.673
VIII.	<b>HELD-TO-MATURITY SECURITIES (Net)</b>	I-f	-	161.607	161.607	-	-	-
8.1	Government Debt Securities		-	161.607	161.607	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	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.	<b>SUBSIDIARIES (Net)</b>	I-h	237.171	-	237.171	228.722	-	228.722
10.1	Unconsolidated Financial Subsidiaries		237.171	-	237.171	228.722	-	228.722
10.2	Unconsolidated non-Financial Subsidiaries		-	-	-	-	-	-
XI.	<b>JOINT VENTURES (Net)</b>	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.	<b>LEASE RECEIVABLES (Net)</b>	I-j	-	-	-	-	-	-
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	<b>HEDGING DERIVATIVE FINANCIAL ASSETS</b>	I-k	176.246	4.771	181.017	40.809	36	40.845
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		176.246	4.771	181.017	40.809	36	40.845
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XIV.	<b>PROPERTY AND EQUIPMENT (Net)</b>	I-l	58.999	-	58.999	58.027	-	58.027
XV.	<b>INTANGIBLE ASSETS (Net)</b>	I-m	46.352	-	46.352	42.609	-	42.609
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		46.352	-	46.352	42.609	-	42.609
XVI.	<b>INVESTMENT PROPERTY (Net)</b>	I-n	-	-	-	-	-	-
XVII.	<b>TAX ASSET</b>		1.463	-	1.463	655	-	655
17.1	Current Tax Asset		1.463	-	1.463	-	-	-
17.2	Deferred Tax Asset	I-o	-	-	-	655	-	655
XVIII.	<b>ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	I-p	45.165	-	45.165	6.685	-	6.685
18.1	Held for Resale		45.165	-	45.165	6.685	-	6.685
18.2	Discontinued Operations		-	-	-	-	-	-
XIX.	<b>OTHER ASSETS</b>	I-r	55.806	49.557	105.363	72.998	13.461	86.459
<b>TOTAL ASSETS</b>			<b>5.822.877</b>	<b>7.898.739</b>	<b>13.721.616</b>	<b>4.730.038</b>	<b>5.944.796</b>	<b>10.674.834</b>

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED BALANCE SHEETS (STATEMENTS OF FINANCIAL POSITION)

AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

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

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

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

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

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

II. OFF-BALANCE SHEET		Note(Section Five)	(31/12/2016)			(31/12/2015)		
			TL	FC	Total	TL	FC	Total
<b>A</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>6.451.280</b>	<b>17.996.288</b>	<b>24.447.568</b>	<b>6.930.497</b>	<b>12.989.086</b>	<b>19.919.583</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>III-a-2-3</b>	<b>734.697</b>	<b>1.247.539</b>	<b>1.982.236</b>	<b>631.672</b>	<b>912.483</b>	<b>1.544.155</b>
1.1	Letters of Guarantee		730.919	853.508	1.584.427	628.292	596.943	1.225.235
1.1.1	Guarantees Subject to State Tender Law		7.398	4.575	11.973	7.486	26.218	33.704
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		723.521	848.933	1.572.454	620.806	570.725	1.191.531
1.2	Bank Acceptances		3.750	126.967	130.717	3.352	93.928	97.280
1.2.1	Import Letter of Acceptance		3.750	126.967	130.717	3.352	93.928	97.280
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	256.635	256.635	-	195.057	195.057
1.3.1	Documentary Letters of Credit		-	256.635	256.635	-	195.057	195.057
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		28	-	28	28	-	28
1.8	Other Guarantees		-	10.429	10.429	-	26.555	26.555
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>III-a-1</b>	<b>665.226</b>	<b>392.275</b>	<b>1.057.501</b>	<b>717.279</b>	<b>275.640</b>	<b>992.919</b>
2.1	Irrevocable Commitments		665.226	392.275	1.057.501	717.279	275.640	992.919
2.1.1	Asset Purchase and Sales Commitments		184.868	392.275	577.143	220.061	275.640	495.701
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		14.997	-	14.997	-	-	-
2.1.4	Commitments for Loan Limits		145.005	-	145.005	168.409	-	168.409
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		302.867	-	302.867	299.665	-	299.665
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9	Commitments for Credit Card Limits		17.475	-	17.475	25.825	-	25.825
2.1.10	Promotion Commitments for Credit Cards and Banking Services		14	-	14	19	-	19
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	3.300	-	3.300
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>III-b</b>	<b>5.051.357</b>	<b>16.356.474</b>	<b>21.407.831</b>	<b>5.581.546</b>	<b>11.800.963</b>	<b>17.382.509</b>
3.1	Hedging Derivative Financial Instruments		587.700	1.693.496	2.281.196	248.580	736.192	984.772
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		587.700	1.693.496	2.281.196	248.580	736.192	984.772
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		4.463.657	14.662.978	19.126.635	5.332.966	11.064.771	16.397.737
3.2.1	Forward Foreign Currency Buy/Sell Transactions		329.245	686.909	1.016.154	374.864	949.719	1.324.583
3.2.1.1	Forward Foreign Currency Transactions-Buy		205.259	297.660	502.919	200.408	460.907	661.315
3.2.1.2	Forward Foreign Currency Transactions-Sell		123.986	389.249	513.235	174.456	488.812	663.268
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		2.787.163	9.546.973	12.334.136	2.969.773	7.078.635	10.048.408
3.2.2.1	Foreign Currency Swap-Buy		1.379.714	1.201.567	2.581.281	1.023.004	1.912.070	2.935.074
3.2.2.2	Foreign Currency Swap-Sell		967.449	1.662.682	2.630.131	1.506.769	1.449.699	2.956.468
3.2.2.3	Interest Rate Swap-Buy		220.000	3.341.362	3.561.362	220.000	1.858.433	2.078.433
3.2.2.4	Interest Rate Swap-Sell		220.000	3.341.362	3.561.362	220.000	1.858.433	2.078.433
3.2.3	Foreign Currency, Interest rate and Securities Options		1.347.249	4.429.096	5.776.345	1.988.329	3.036.417	5.024.746
3.2.3.1	Foreign Currency Options-Buy		734.860	2.151.650	2.886.510	985.139	1.524.640	2.509.779
3.2.3.2	Foreign Currency Options-Sell		612.389	2.277.446	2.889.835	1.003.190	1.511.777	2.514.967
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>29.670.012</b>	<b>19.941.092</b>	<b>49.611.104</b>	<b>24.307.387</b>	<b>14.098.416</b>	<b>38.405.803</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>1.331.012</b>	<b>136.089</b>	<b>1.467.101</b>	<b>1.208.992</b>	<b>117.865</b>	<b>1.326.857</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		277.886	31.344	309.230	260.179	18.910	279.089
4.3	Cheques Received for Collection		985.735	85.790	1.071.525	843.730	83.272	927.002
4.4	Commercial Notes Received for Collection		67.391	18.955	86.346	105.083	15.683	120.766
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>28.339.000</b>	<b>19.802.011</b>	<b>48.141.011</b>	<b>23.097.445</b>	<b>13.968.187</b>	<b>37.065.632</b>
5.1	Marketable Securities		2.650	-	2.650	1.043	-	1.043
5.2	Guarantee Notes		18.791.720	9.532.145	28.323.865	16.761.580	8.098.175	24.859.755
5.3	Commodity		963.418	9.139	972.557	677.707	8.807	686.514
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		8.098.494	7.156.032	15.254.526	5.359.812	4.083.800	9.443.612
5.6	Other Pledged Items		482.718	3.104.695	3.587.413	297.303	1.777.405	2.074.708
5.7	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>2.992</b>	<b>2.992</b>	<b>2.992</b>	<b>950</b>	<b>12.364</b>	<b>13.314</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>36.121.292</b>	<b>37.937.380</b>	<b>74.058.672</b>	<b>31.237.884</b>	<b>27.087.502</b>	<b>58.325.386</b>

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

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

**BURGAN BANK A.Ş.**

**UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED**

**31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

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

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED STATEMENTS OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY		31/12/2016	31/12/2015
<b>I.</b>	<b>ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	(8.130)	(4.423)
<b>II.</b>	<b>REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>	1.256	2.419
<b>III.</b>	<b>REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>	-	-
<b>IV.</b>	<b>FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V.</b>	<b>INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	15.874	11.520
<b>VI.</b>	<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS(*)</b>	215	191
<b>VIII.</b>	<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS</b>	1.011	(574)
<b>IX.</b>	<b>DEFERRED TAX ON VALUATION DIFFERENCES</b>	(1.843)	(1.826)
<b>X.</b>	<b>NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)</b>	8.383	7.307
<b>XI.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	71.673	52.169
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	3.634	1.419
11.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4	Other	68.039	50.750
<b>XII.</b>	<b>TOTAL (INCOME)/LOSS RELATED TO THE CURRENT PERIOD (X+XI)</b>	80.056	59.476

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

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

BURGAN BANK A.Ş.

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

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																		
	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Shareholders' Equity	
PRIOR PERIOD 31/12/2015																		
I. Prior Period End Balance(31/12/2014)	II-I	900.000	-	-	-	18.397	-	51.235	(2.492)	17.824	(46.285)	1.160	13.187	-	-	-	-	953.026
II. Corrections according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Amendments in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I + II)		900.000	-	-	-	18.397	-	51.235	(2.492)	17.824	(46.285)	1.160	13.187	-	-	-	-	953.026
Changes in the Period																		
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(3.538)	-	-	-	-	-	(3.538)
VI. Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	9.216	-	-	9.216
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	9.216	-	-	9.216
6.2 Foreign Investment for Purpose of Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	1.935	-	-	-	-	1.935
VIII. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	(306)	-	-	-	-	-	-	-	-	(306)
XIX. Current Year Income or Loss		-	-	-	-	-	-	-	-	52.169	-	-	-	-	-	-	-	52.169
XX. Profit Distribution		-	-	-	-	710	-	16.863	251	(17.824)	-	-	-	-	-	-	-	-
20.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	710	-	16.863	251	(17.824)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+...+XX)</b>		<b>900.000</b>	-	-	-	<b>19.107</b>	-	<b>68.098</b>	<b>(2.547)</b>	<b>52.169</b>	<b>(46.285)</b>	<b>(2.378)</b>	<b>15.122</b>	-	<b>9.216</b>	-	-	<b>1.012.502</b>

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

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

BURGAN BANK A.Ş.

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

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

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

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

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

BURGAN BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2016

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

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

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

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

**BURGAN BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2016**

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

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

(\*) TL 5.026 of net profit, represents net profit/loss of subsidiaries which the Bank applies equity accounting method under the principals of TAS 27 and such amount cannot be subject to profit distributions. Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet.

(\*\*) Contains "Profit Appropriation Statement" approved by the Bank's General Assembly held on 30 March 2016, includes the effects of TAS 27 standard.

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

BURGAN BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION:**

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS:**

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**c. Loans and receivables:**

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

The Bank has no discontinued operations.

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

**a. Goodwill**

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

**b. Other intangible assets**

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS:**

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

**XVI. EXPLANATIONS ON CONTINGENT ASSETS:**

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

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

**XVIII. EXPLANATIONS ON TAXATION:**

**a. Current tax:**

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

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

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

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

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

**b. Deferred tax:**

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

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

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**ACCOUNTING POLICIES (Continued)**

**XIX. EXPLANATIONS ON BORROWINGS:**

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

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

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

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

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

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

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

**XXII. EXPLANATIONS ON GOVERNMENT GRANTS:**

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

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

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

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

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**ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**XXV. EXPLANATIONS ON RELATED PARTIES:**

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

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

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

**XXVII. EXPLANATIONS ON SEGMENT REPORTING:**

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

**XXVIII. RECLASSIFICATIONS:**

None.

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**SECTION FOUR**

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

**I. EXPLANATIONS ON EQUITY:**

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

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

**a. Information about total capital:**

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

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

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

	Current 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 (-)	18.454	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>1.009.053</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	1.055.760	
Provisions (Article 8 of the Regulation on the Equity of Banks)	90.245	
<b>Tier II Capital Before Deductions</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.	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>835</b>	
<b>Total Tier II Capital</b>	<b>1.145.170</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2.154.223</b>	
<b>Deductions from Total Capital</b>	<b>552</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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**I. EXPLANATIONS ON EQUITY (Continued):**

	Current Period 31 December 2016	Amounts related to treatment before 1/1/2014(*)
<b>TOTAL CAPITAL</b>		
Total Capital	2.153.671	
Total risk weighted amounts	12.193.141	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	8,43	
Tier I Capital Adequacy Ratio	8,28	
Capital Adequacy Ratio	17,66	
<b>BUFFERS</b>		
Total buffer requirement	0,625	
Capital conservation buffer requirement	0,625	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	3,93	
<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	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	15.650	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	90.245	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	90.245	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<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):**

**Prior Period:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<b>Risk Group</b>	<b>Amount</b>	<b>Average</b>
Claims on sovereigns and Central Banks	2.005.240	1.770.435
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	1.000	261
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	1.117.758	846.419
Claims on corporates	8.655.696	7.651.435
Claims included in the regulatory retail portfolios	251.694	240.268
Claims secured by residential property	3.811.471	3.125.429
Past due loans	111.799	103.098
Higher risk categories decided by the Board	-	11.807
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other Receivables	625.047	612.351
<b>Total</b>	<b>16.579.705</b>	<b>14.361.503</b>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**d. Information on rating concentration:**

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

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

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(Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Exposure Categories (*)															Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		16
<b>31 December 2015</b>																	
Domestic	1.753.400	-	6	-	-	235.053	5.821.286	170.644	2.928.925	91.248	70.372	-	-	-	-	422.220	11.493.154
EU Countries	-	-	-	-	-	434.453	5.735	98	-	-	26	-	-	-	-	-	440.312
OECD Countries (**)	-	-	-	-	-	9.027	-	-	-	-	-	-	-	-	-	-	9.027
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	95.828	-	12	-	-	-	-	-	-	-	-	95.840
Other Countries	-	-	-	-	-	1.204	3.205	32	1.392	-	-	-	-	-	-	-	5.833
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.753.400</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>775.565</b>	<b>5.830.226</b>	<b>170.786</b>	<b>2.930.317</b>	<b>91.248</b>	<b>70.398</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>422.220</b>	<b>12.044.166</b>

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

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

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

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

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

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

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

1. Conditional and unconditional exposures to central governments or central banks
2. Conditional and unconditional exposures to regional governments or local authorities
3. Conditional and unconditional receivables from administrative units and non-commercial enterprises
4. Conditional and unconditional exposures to multilateral development banks
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16. Stock Exchange
17. Other receivables

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

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

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

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

Risk classifications	Term To Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Claims on sovereigns and Central Banks	120.437	30.531	60.525	63.611	456.404
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	300	652	-	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	512.654	163.196	97.854	4.618	265.399
Claims on corporates	1.455.830	691.625	888.928	1.016.682	3.723.668
Claims included in the regulatory retail portfolios	23.632	6.632	9.324	21.913	135.049
Claims secured by residential property	143.423	90.011	126.755	208.150	3.190.793
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
<b>Total</b>	<b>2.256.276</b>	<b>982.647</b>	<b>1.183.386</b>	<b>1.314.974</b>	<b>7.771.313</b>

**i. Information about the risk exposure categories:**

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

**j. Exposures by risk weights:**

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

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

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

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

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

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

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

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

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

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

**m. Risks Included in Cyclical Capital Buffer Calculation :**

None.

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

**III. EXPLANATIONS ON RISK MANAGEMENT:**

**Risk Management Approach and Risk Weighted Amounts**

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

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

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

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT:**

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

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

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT:**

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

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

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

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

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

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

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

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

**III. EXPLANATIONS ON RISK MANAGEMENT:**

**6. Disclosures on Stress Test:**

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

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

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

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

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

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

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

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

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

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

**b. Overview of RWA**

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

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

		Risk Weighted Amounts		Minimum Capital Liability
		Current Period	Prior Period	Current Period
		31 December 2016	31 December 2015	31 December 2016
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	11.245.475	8.574.564	899.638
2	Standardised approach (SA)	11.245.475	8.574.564	899.638
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	296.569	32.911	23.725
5	Standardised approach for counterparty credit risk (SA-CCR)	296.569	32.911	23.725
6	Internal Model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - % 1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-
16	Market risk	99.079	147.713	7.926
17	Standardised approach (SA)	99.079	147.713	7.926
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	552.019	442.050	44.162
20	Basic indicator approach	552.019	442.050	44.162
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor Adjustments	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>12.193.142</b>	<b>9.197.238</b>	<b>975.451</b>

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

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

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

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

	Valued amount according to TAS within legal consolidation	Subject to credit risk	Subject to counterparty credit risk	Carrying values of items in accordance with TAS		
				Subject to the Securitisation framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Cash and balances with the Central Bank	1.318.861	1.318.861	-	-	-	-
Trading Financial Assets	124.839	-	111.189	-	104.816	835
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	239.658	239.658	-	-	-	-
Money Market Placements	-	-	-	-	-	-
Financial Assets Available-for-Sale (net)	515.594	515.594	295.810	-	-	-
Loans and Receivables	10.684.700	10.684.700	-	-	-	-
Factoring Receivables	827	827	-	-	-	-
Held-to-maturity investments (net)	161.607	161.607	161.607	-	-	-
Investment in Associates (net)	-	-	-	-	-	-
Investment in Subsidiaries (net)	237.171	237.171	-	-	-	-
Investment in Joint ventures (net)	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	181.017	-	181.017	-	-	-
Property And Equipment (Net)	58.999	43.545	-	-	-	15.454
Intangible Assets (Net)	46.352	-	-	-	-	46.352
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	1.463	1.463	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	45.165	44.613	-	-	-	552
Other Assets	105.363	105.363	-	-	-	-
<b>Total assets</b>	<b>13.721.616</b>	<b>13.353.402</b>	<b>749.623</b>	<b>-</b>	<b>104.816</b>	<b>63.193</b>
<b>Liabilities</b>						
Deposits	8.309.833	-	-	-	-	8.309.833
Derivative Financial Liabilities Held for Trading	166.902	-	147.927	-	89.027	18.975
Funds Borrowed	2.206.719	-	-	-	-	2.206.719
Money Markets	397.510	-	393.008	-	-	4.502
Marketable Securities Issued	-	-	-	-	-	-
Funds	-	-	-	-	-	-
Miscellaneous Payables	202.930	-	-	-	-	202.930
Other Liabilities	67.273	-	-	-	-	67.273
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	29.486	-	-	-	-	29.486
Provisions	153.689	-	-	-	-	153.689
Tax Liability	37.238	-	-	-	-	37.238
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	1.057.478	-	-	-	-	1.057.478
Shareholder’s Equity	1.092.558	-	-	-	-	1.092.558
<b>Total liabilities</b>	<b>13.721.616</b>	<b>-</b>	<b>540.935</b>	<b>-</b>	<b>89.027</b>	<b>13.180.681</b>

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

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

		Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
<b>1</b>	Asset carrying value amount under scope of regulatory consolidation	14.207.841	13.353.402	-	749.623	104.816
<b>2</b>	Liabilities carrying value amount under regulatory scope of consolidation	(629.962)	-	-	(540.935)	(89.027)
<b>3</b>	Total net amount under regulatory scope of consolidation	13.577.879	13.353.402	-	208.688	15.789
<b>4</b>	Off-Balance Sheet Amounts	1.277.664	1.277.664	-	-	-
<b>5</b>	Differences in valuations	-	-	-	-	-
	Differences due to different netting rules, other than					
<b>6</b>	those already included in row 2	-	-	-	-	-
<b>7</b>	Differences due to consideration of provisions	-	-	-	-	-
	Differences Resulted from the BRSA's					
<b>8</b>	Applications	641.667	-	-	558.377	83.290
<b>9</b>	Differences due to risk reduction	-	-	-	-	-
<b>10</b>	Risk Amounts	15.497.210	14.631.066	-	767.065	99.079

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

- a. There exist no difference between accounting and legal consolidation scopes of the Bank.
- b. Significant differences between amounts valued in accordance with TAS and Risk exposures source from securities and derivatives. Securities mentioned in repo transaction in financial assets held for trading and held for sale financial assets are designated in Money Markets Debts item. For derivative transactions, the Bank has foreign exchange swap and interest swap products which are monitored under trading accounts and made for structural interest rate risk and liquidity risk management. Therefore, those products should not be considered in scope of market risk although they are monitored under trading accounts in accordance with TAS.

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

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

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

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

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

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

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

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

**d. Credit Risk Disclosures**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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(Continued)**

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

**2. Credit quality of assets**

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

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

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

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

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

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

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

None.

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

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

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

**iv. Descriptions of restructured receivables:**

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

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

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

<b>31 December 2016</b>		<b>Total</b>
<b>1</b>	Domestic	12.598.150
<b>2</b>	European Union Countries	67.977
<b>3</b>	OECD Countries **	-
<b>4</b>	Off-shore Banking Regions	-
<b>5</b>	USA, Canada	-
<b>6</b>	Other Countries	1.636
<b>7</b>	Associates, Subsidiaries and Jointly Controlled Entities	-
<b>8</b>	Unallocated Assets / Liabilities***	-
<b>9</b>	<b>Total</b>	<b>12.667.763</b>

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

<b>31 December 2016</b>		<b>Total</b>
<b>1</b>	<b>Agriculture</b>	<b>52.055</b>
<b>2</b>	Farming and Stockbreeding	36.179
<b>3</b>	Forestry	131
<b>4</b>	Fishery	15.745
<b>5</b>	<b>Manufacturing</b>	<b>3.585.740</b>
<b>6</b>	Mining and Quarrying	467.344
<b>7</b>	Production	2.569.386
<b>8</b>	Electricity, Gas and Water	549.010
<b>9</b>	<b>Construction</b>	<b>3.991.095</b>
<b>10</b>	<b>Services</b>	<b>4.611.671</b>
<b>11</b>	Wholesale and Retail Trade	1.656.798
<b>12</b>	Accommodation and Dining	898.927
<b>13</b>	Transportation and Telecom	432.348
<b>14</b>	Financial Institutions	961.469
<b>15</b>	Real Estate and Rental Services	555.574
<b>16</b>	Professional Services	17.027
<b>17</b>	Educational Services	15.697
<b>18</b>	Health and Social Services	73.831
<b>19</b>	Other	427.202
<b>20</b>	<b>Total</b>	<b>12.667.763</b>

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

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

31 December 2016	1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributable	Total
Cash and Non-cash Loans	2.379.455	1.863.661	2.448.770	4.615.011	1.249.067	111.799	12.667.763

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

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

	31 December 2016	Non Performing Loan	Special Provision
<b>1 Agriculture</b>		<b>6.362</b>	<b>2.579</b>
2 Farming and Stockbreeding		5.774	1.991
3 Forestry		532	532
4 Fishery		56	56
<b>5 Manufacturing</b>		<b>99.310</b>	<b>52.192</b>
6 Mining and Quarrying		17.380	11.634
7 Production		81.733	40.459
8 Electricity, Gas and Water		197	99
<b>9 Construction</b>		<b>37.385</b>	<b>21.944</b>
<b>10 Services</b>		<b>82.288</b>	<b>38.955</b>
11 Wholesale and Retail Trade		64.789	33.678
12 Accommodation and Dining		3.396	758
13 Transportation and Telecom		2.838	1.366
14 Financial Institutions		15	15
15 Real Estate and Rental Services		1.492	513
16 Professional Services		1.913	486
17 Educational Services		4.978	1.285
18 Health and Social Services		2.867	854
19 Other		5.872	3.748
<b>20 Total</b>		<b>231.217</b>	<b>119.418</b>

**vii. Ageing analysis for overdue receivables.**

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

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

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

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

**e. Credit Risk Mitigation**

**1. Qualitative disclosure on credit risk mitigation techniques**

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

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

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

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

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

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

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

**2. Credit risk mitigation techniques**

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	6.758.520	3.839.564	2.820.594	1.470	1.470	-	-
2	Debt securities	683.232	-	-	-	-	-	-
3	<b>Total</b>	<b>7.441.752</b>	<b>3.839.564</b>	<b>2.820.594</b>	<b>1.470</b>	<b>1.470</b>	-	-
4	Of which defaulted	127.266	-	-	-	-	-	-

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

**f. Credit Risk if the Standard Approach is used**

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

**Credit Risk if the Standard Approach is used**

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

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

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

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

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

	Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	1.886.265	-	1.904.549	-	705.694	37,1%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	626	60	626	12	638	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	384.477	169.118	386.136	109.810	275.661	55,6%
7	Exposures to corporates	6.659.803	1.912.556	6.644.743	1.048.653	7.270.385	94,5%
8	Retail exposures	175.019	76.399	173.977	22.298	139.494	71,1%
9	Exposures secured by residential property	514.092	30.645	513.640	11.599	183.291	34,9%
10	Exposures secured by commercial real estate	3.205.877	60.857	3.205.827	28.066	2.120.756	65,6%
11	Past-due loans	111.799	-	111.799	-	107.070	95,8%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	415.444	209.603	415.413	53.918	442.486	94,3%
17	Equity Investment	-	-	-	-	-	-
18	<b>Total</b>	<b>13.353.402</b>	<b>2.459.238</b>	<b>13.356.710</b>	<b>1.274.356</b>	<b>11.245.475</b>	<b>76,9%</b>

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

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

		0%	10%	20%	Guaranteed by 35% Real Estate Fund	50%	75%	100%	150%	200%	Total credit risk exposure amount (after CCF and CRM)
<b>1</b>	<b>Asset classes/ Risk weight</b> Exposures to central governments or central banks	493.161	-	-	-	1.411.388	-	-	-	-	1.904.549
<b>2</b>	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
<b>3</b>	Exposures to public sector entities	-	-	-	-	-	-	638	-	-	638
<b>4</b>	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
<b>5</b>	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
<b>6</b>	Exposures to institutions	-	-	20.917	-	407.102	-	67.927	-	-	495.946
<b>7</b>	Exposures to corporates	88.727	-	255.786	-	261.084	-	7.086.025	1.774	-	7.693.396
<b>8</b>	Retail exposures	9.046	-	1.686	-	-	185.543	-	-	-	196.275
<b>9</b>	Exposures secured by residential property	1.418	-	310	523.511	-	-	-	-	-	525.239
<b>10</b>	Exposures secured by commercial real estate	22.985	-	3.276	-	2.175.063	-	1.032.569	-	-	3.233.893
<b>11</b>	Past-due loans	-	-	-	-	19.453	-	82.349	9.997	-	111.799
<b>12</b>	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
<b>13</b>	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
<b>14</b>	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-
<b>15</b>	Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-
<b>16</b>	Investments in equities	-	-	-	-	-	-	-	-	-	-
<b>17</b>	Other receivables	26.845	-	-	-	-	-	442.486	-	-	469.331
<b>18</b>	<b>Total</b>	<b>642.182</b>	<b>-</b>	<b>281.975</b>	<b>523.511</b>	<b>4.274.090</b>	<b>185.543</b>	<b>8.711.994</b>	<b>11.771</b>	<b>-</b>	<b>14.631.066</b>

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

**g. Disclosures regarding Counterparty Credit Risk**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
<b>Current Period</b>							
1	Standart Approach-CCR						
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation					767.065	345.018
4	Comprehensive Method for Credit Risk Mitigation						
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	<b>Total</b>						<b>345.018</b>

**3. Credit Valuation Adjustment (CVA) Capital Charge**

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at risk component (including 3*multiplier)	-	-
2	(ii) Stressed Value at Risk (including 3*multiplier)	-	-
3	All portfolios subject to Standardised CVA capital obligation	767.065	88.347
4	<b>Total amount of CVA capital adequacy</b>	<b>767.065</b>	<b>88.347</b>

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

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

<b>Risk Weights/Risk Classes</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total credit risk</b>
Central governments and central banks receivables	118.975	-	-	-	-	-	-	-	118.975
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	314	-	-	314
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	273.489	-	63.975	226.699	-	-	-	-	564.163
Corporate receivables	51	-	-	3.462	-	79.824	-	-	83.337
Retail receivables	-	-	-	-	276	-	-	-	276
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>392.515</b>	<b>-</b>	<b>63.975</b>	<b>230.161</b>	<b>276</b>	<b>80.138</b>	<b>-</b>	<b>-</b>	<b>767.065</b>

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

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

Current Period	Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - Local Currency	-	-	-	-	207.303	-
Cash - Foreign Currency	-	-	-	-	184.948	-
Government Bonds-Domestic	-	-	-	-	-	-
Government Bonds-Other	-	-	-	-	-	-
Public Institution Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Guarantees	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>392.251</b>	-

**6. Credit derivatives:** None.

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

**h . Securitization disclosures:** None.

**j. Disclosures on Market Risk**

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

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

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

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

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

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

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

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

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

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

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

**2. Market risk under standardised approach**

		<b>Risk Weighted Asset</b>
	Outright products	
1	Interest rate risk (general and specific)	62.600
2	Equity risk (general and specific)	-
3	Foreign exchange risk	36.116
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	363
7	Scenario approach	-
8	Securitisation	-
9	<b>Total</b>	<b>99.079</b>

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**IV. EXPLANATIONS ON OPERATIONAL RISK:**

“Basic Indicator Approach” is utilized in operational risk calculation of the Bank. Principal amount subject to operational risk is calculated through using income of 2013, 2014 and 2015 of the Bank belonging to last 3 years via “Basic Indicator Approach” dated July 1, 2012 in accordance with “Communique on Measurement and Evaluation of Bank’s Capital Adequacy” published on Official Gazette dated June 28, 2013 and numbered 28337.

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

	2 Prior Period Value	1 Prior Period	Current Period value	Total / Total number of years for which gross income	Rate (%)	Total
Gross Income	31.618	43.259	57.608	3	15	44.162
Amount subject to operational risk (Total*12,5)						552.019

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**V. EXPLANATIONS ON CURRENCY RISK:**

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

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

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

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

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

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

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**V. EXPLANATIONS ON CURRENCY RISK (Continued):  
Information on currency risk of the Bank:**

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

	EUR	USD	Other FC	Total
<b>31 December 2016</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	5.417	1.150.828	1.366	1.157.611
Due From Banks	42.231	190.900	6.505	239.636
Financial Assets at Fair Value Through Profit or Loss (*)	27.486	19.893	926	48.305
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	168.612	-	168.612
Loans (*)	3.713.143	3.222.645	7.859	6.943.647
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	161.607	-	161.607
Hedging Derivative Financial Assets	138	4.345	-	4.483
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	47	49.510	-	49.557
<b>Total Assets</b>	<b>3.788.462</b>	<b>4.968.340</b>	<b>16.656</b>	<b>8.773.458</b>
<b>Liabilities</b>				
Bank Deposits	447	5.108	-	5.555
Foreign Currency Deposits	1.787.664	3.565.478	97.212	5.450.354
Funds From Interbank Money Market	-	185.428	-	185.428
Funds Borrowed From Other Financial Institutions	479.611	2.759.875	-	3.239.486
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	102.417	56.855	15	159.287
Hedging Derivative Financial Liabilities	1.551	407	-	1.958
Other Liabilities (*)	16.031	16.064	486	32.581
<b>Total Liabilities</b>	<b>2.387.721</b>	<b>6.589.215</b>	<b>97.713</b>	<b>9.074.649</b>
<b>Net On-balance Sheet Position</b>	<b>1.400.741</b>	<b>(1.620.875)</b>	<b>(81.057)</b>	<b>(301.191)</b>
<b>Net Off-balance Sheet Position</b>	<b>(1.357.925)</b>	<b>1.459.157</b>	<b>81.299</b>	<b>182.531</b>
Financial Derivative Assets	1.041.496	3.546.093	153.515	4.741.104
Financial Derivative Liabilities	2.399.421	2.086.936	72.216	4.558.573
<b>Non-Cash Loans (**)</b>	<b>464.496</b>	<b>736.527</b>	<b>46.516</b>	<b>1.247.539</b>
<b>31 December 2015</b>				
Total Assets (*)	2.493.236	4.191.622	39.760	6.724.618
Total Liabilities (*)	1.272.672	5.961.072	35.835	7.269.579
<b>Net On-balance Sheet Position</b>	<b>1.220.564</b>	<b>(1.769.450)</b>	<b>3.925</b>	<b>(544.961)</b>
<b>Net Off-balance Sheet Position</b>	<b>(1.214.624)</b>	<b>1.794.333</b>	<b>(2.978)</b>	<b>576.731</b>
Financial Derivative Assets	746.900	3.412.745	79.103	4.238.748
Financial Derivative Liabilities	1.961.524	1.618.412	82.081	3.662.017
<b>Non-Cash Loans (**)</b>	<b>320.947</b>	<b>570.585</b>	<b>20.951</b>	<b>912.483</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 878.488 (31 December 2015: TL 784.445) classified as Turkish Lira assets in the 31 December 2016 financial statements are added to the table above; there is no foreign currency indexed loans received in the current period (31 December 2015: None). Besides this, in assets “Income Accruals of Derivative Financial Instruments” amounting to TL 3.769 (31 December 2015: TL 4.623), in liabilities “Expense Accruals of Derivative Financial Instruments” amounting to TL 9.622 (31 December 2015: TL 6.494), “General Provisions” amounting to TL 53.785 (31 December 2015: TL 38.816), free provision amounting to TL 19.721 (31 December 2015: TL 20.436) and “Marketable Securities Valuation Reserve” with “ Hedging Derivative Financials” amounting to TL (5.014) (31 December 2015: TL (857)) are not included in the table above.

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

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

**Currency risk sensitivity analysis:**

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

	31 December 2016				31 December 2015			
	Income Statement		Equity (*)		Income Statement		Equity (*)	
	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease	%10 increase	%10 decrease
USD	(16.172)	16.172	(16.673)	16.673	2.488	(2.488)	(2.403)	(2.403)
EUR	4.282	(4.282)	4.282	(4.282)	594	(594)	(594)	(594)
Other currency units	24	(24)	24	(24)	95	(95)	(95)	(95)
<b>Total, net</b>	<b>(11.866)</b>	<b>11.866</b>	<b>(12.367)</b>	<b>12.367</b>	<b>3.177</b>	<b>(3.177)</b>	<b>(3.092)</b>	<b>(3.092)</b>

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

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

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

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

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

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

<b>31 December 2016</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and Over</b>	<b>Non Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.095.882	-	-	-	-	222.979	1.318.861
Due From Banks	223.269	-	-	-	-	16.389	239.658
Financial Assets at Fair Value Through Profit/Loss (*)	44.631	93.189	146.472	12.317	9.247	-	305.856
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	63.505	101.170	59.919	191.684	92.465	6.851	515.594
Loans	5.435.080	1.485.440	1.710.650	1.805.466	137.091	111.800	10.685.527
Held-to-Maturity Investments	-	-	-	74.975	86.632	-	161.607
Other Assets	-	-	-	-	-	494.513	493.247
<b>Total Assets</b>	<b>6.862.367</b>	<b>1.679.799</b>	<b>1.917.041</b>	<b>2.084.442</b>	<b>325.435</b>	<b>852.532</b>	<b>13.721.616</b>
<b>Liabilities</b>							
Bank Deposits	50.023	-	-	-	-	6.772	56.795
Other Deposits	5.203.829	2.167.616	424.968	280	-	456.345	8.253.038
Funds From Interbank Money Market	213.345	112.877	71.288	-	-	-	397.510
Miscellaneous Payables	-	-	-	-	-	202.930	202.930
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	227.567	2.478.988	554.963	2.679	-	-	3.264.197
Other Liabilities (*) (**)	86.728	28.840	39.219	40.056	1.545	1.350.758	1.547.146
<b>Total Liabilities</b>	<b>5.781.492</b>	<b>4.788.321</b>	<b>1.090.438</b>	<b>43.015</b>	<b>1.545</b>	<b>2.016.805</b>	<b>13.721.616</b>
<b>Balance Sheet Long Position</b>	<b>1.080.875</b>	<b>-</b>	<b>826.603</b>	<b>2.041.427</b>	<b>323.890</b>	<b>-</b>	<b>4.272.795</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>(3.108.522)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.164.273)</b>	<b>(4.272.795)</b>
Off-balance Sheet Long Position	434.252	120.005	668.007	-	-	-	1.222.264
Off-balance Sheet Short Position	-	-	-	(1.106.689)	(39.091)	-	(1.145.780)
<b>Total Position</b>	<b>1.515.127</b>	<b>(2.988.517)</b>	<b>1.494.610</b>	<b>934.738</b>	<b>284.799</b>	<b>(1.164.273)</b>	<b>76.484</b>

(\*) Financial Assets at Fair Value Through Profit/Loss includes hedging derivative financial assets amounting to TL 181.017 and other liabilities includes hedging derivative financial liabilities amounting to TL 29.486 classified to a related re-pricing periods.

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

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

31 December 2015	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	1.013.000	-	-	-	-	81.072	1.094.072
Due From Banks	177.503	-	-	-	-	17.509	195.012
Financial Assets at Fair Value Through Profit/Loss	51.974	7.891	18.420	40.094	4.788	2.158	125.325
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	113.212	115.395	13.385	52.450	348.223	6.849	649.514
Loans	2.792.927	2.424.689	1.681.745	1.178.093	19.052	91.248	8.187.754
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	423.157	423.157
<b>Total Assets</b>	<b>4.148.616</b>	<b>2.547.975</b>	<b>1.713.550</b>	<b>1.270.637</b>	<b>372.063</b>	<b>621.993</b>	<b>10.674.834</b>
<b>Liabilities</b>							
Bank Deposits	43.249	-	-	-	-	7.097	50.346
Other Deposits	3.677.113	2.213.315	239.871	57.956	-	457.007	6.645.262
Funds From Interbank Money Market	395.786	-	-	-	-	-	395.786
Miscellaneous Payables	-	-	-	-	-	69.640	69.640
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	190.667	1.529.136	439.241	6.677	-	-	2.165.721
Other Liabilities (*)	65.665	7.316	17.041	1.731	-	1.256.326	1.348.079
<b>Total Liabilities</b>	<b>4.372.480</b>	<b>3.749.767</b>	<b>696.153</b>	<b>66.364</b>	<b>-</b>	<b>1.790.070</b>	<b>10.674.834</b>
<b>Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>1.017.397</b>	<b>1.204.273</b>	<b>372.063</b>	<b>-</b>	<b>2.593.733</b>
<b>Balance Sheet Short Position</b>	<b>(223.864)</b>	<b>(1.201.792)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.168.077)</b>	<b>(2.593.733)</b>
Off-balance Sheet Long Position	-	-	-	30.119	-	-	30.119
Off-balance Sheet Short Position	(10.372)	(14.314)	(5.534)	-	-	-	(30.220)
<b>Total Position</b>	<b>(234.236)</b>	<b>(1.216.106)</b>	<b>1.011.863</b>	<b>1.234.392</b>	<b>372.063</b>	<b>(1.168.077)</b>	<b>(101)</b>

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

**Interest rate sensitivity analysis :**

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

Change in interest rate 31 December 2015	Profit/ Loss Effect	Effect on funds under equity
(+) %1	(906)	(22.145)
(-) %1	921	22.145

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

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(Continued)**

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

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

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

<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	-	-
Financial Assets at Fair Value Through Profit/Loss	4,79	7,90	-	9,09
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,39	-	9,42
Loans	4,91	6,29	-	15,17
Held-to-Maturity Investments	-	5,96	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	8,16
Other Deposits (*)	1,95	3,28	-	11,00
Funds From Interbank Money Market	-	2,27	-	6,98
Miscellaneous Payables	-	-	-	11,25
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,54	3,77	-	6,67

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

<b>31 December 2015</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	-	0,49	-	3,81
Due From Banks	-	0,36	-	10,90
Financial Assets at Fair Value Through Profit/Loss	-	5,75	-	9,41
Interbank Money Market Placements	-	-	-	-
Available-for-Sale Financial Assets	-	5,86	-	9,39
Loans	4,96	5,84	-	15,56
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	0,28	3,49	-	0,18
Other Deposits (*)	1,47	2,44	-	11,86
Funds From Interbank Money Market	-	1,46	-	6,38
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,51	3,00	-	6,68

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

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

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

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

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

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

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

Currency	Applied Shock (+/- x basis point)	Earnings/ Losses	Earnings/ Equities-Losses/ Equities
1. TRY	+500 bp	(70.676)	(3,3)%
2. TRY	-400 bp	64.903	3,0%
3. EURO	+200 bp	334	-
4. EURO	-200 bp	108	-
5. USD	+200 bp	(37.115)	(1,7)%
6. USD	-200 bp	33.130	1,5%
<b>Total (For Negative Shocks)</b>		<b>98.141</b>	<b>4,6%</b>
<b>Total (For Positive Shocks)</b>		<b>(107.457)</b>	<b>(5,0)%</b>

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

None.

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**VIII. EXPLANATIONS ON LIQUIDITY RISK:**

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

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

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

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

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

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

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

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

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

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

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

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

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**VIII. EXPLANATIONS ON LIQUIDITY RISK (Continued):**

**Liquidity Coverage Ratio:**

31 December 2016		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	High Quality Liquid Assets			<b>1.064.234</b>	<b>788.862</b>
<b>CASH OUTFLOWS</b>					
2	Retail and Small Business Customers Deposits	4.882.177	2.716.517	462.514	271.652
3	Stable deposits	514.082	-	25.704	-
4	Less stable deposits	4.368.095	2.716.517	436.810	271.652
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.109.565	1.432.911	977.382	627.043
6	Operational deposits	879.826	674.920	219.956	168.730
7	Non-Operational Deposits	1.051.389	685.134	579.076	385.456
8	Other Unsecured Funding	178.350	72.857	178.350	72.857
9	Secured funding			22.034	22.034
10	Other Cash Outflows	54.806	157.262	54.806	157.262
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	54.806	157.262	54.806	157.262
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	2.098.544	1.115.552	237.544	131.016
16	<b>TOTAL CASH OUTFLOWS</b>			<b>1.754.280</b>	<b>1.209.005</b>
<b>CASH INFLOWS</b>					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	980.420	273.477	583.008	201.875
19	Other contractual cash inflows	15.110	147.582	15.110	147.582
20	<b>TOTAL CASH INFLOWS</b>	<b>995.530</b>	<b>421.059</b>	<b>598.118</b>	<b>349.457</b>
				<b>Upper Bound Applied Amounts</b>	
21	<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>1.064.234</b>	<b>788.862</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.156.162</b>	<b>859.549</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>92,05</b>	<b>91,78</b>

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

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**VIII. EXPLANATIONS ON LIQUIDITY RISK (Continued):**

31 December 2015		Unweighted Amounts (*)		Weighted Amounts (*)	
		TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	High Quality Liquid Assets			917.772	680.943
<b>CASH OUTFLOWS</b>					
2	Retail and Small Business Customers Deposits	3.784.086	2.654.663	230.808	164.880
3	Stable deposits	2.952.020	2.011.728	147.601	100.586
4	Less stable deposits	832.066	642.935	83.207	64.294
5	Unsecured Funding other than Retail and Small Business Customers Deposits	2.177.569	1.655.223	1.068.793	798.427
6	Operational deposits	-	-	-	-
7	Non-Operational Deposits	1.915.553	1.483.155	807.073	626.359
8	Other Unsecured Funding	262.016	172.068	261.720	172.068
9	Secured funding			3.085	3.085
10	Other Cash Outflows	31.505	57.381	31.505	57.381
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	31.505	57.381	31.505	57.381
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	1.897.002	962.548	200.694	105.141
16	<b>TOTAL CASH OUTFLOWS</b>			<b>1.534.885</b>	<b>1.128.914</b>
<b>CASH INFLOWS</b>					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	773.401	214.207	442.982	154.250
19	Other contractual cash inflows	16.493	391.609	16.493	391.609
20	<b>TOTAL CASH INFLOWS</b>	<b>789.894</b>	<b>605.816</b>	<b>459.475</b>	<b>545.859</b>
				<b>Upper Bound Applied Amounts</b>	
21	<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>917.772</b>	<b>680.943</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.075.410</b>	<b>583.055</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>85,34</b>	<b>116,79</b>

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

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**VIII. EXPLANATIONS ON LIQUIDITY RISK (Continued):**

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

High quality liquid assets of the Bank consist of accounts in Central Bank of Turkey, at a ratio of 93% and securities issued by Undersecretariat of Treasury at a ratio of 18%. The fund resources are distributed among deposits of individuals and retail, corporate deposits and due to banks at ratios of 18%, 51% and 9% respectively.

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

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

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

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

Current Period	Maximum (%)		Minimum (%)	
	FC	FC+TL	FC	FC + TL
Weekly Arithmetic Average (%)	165,79%	102,85%	64,03%	83,67%
Week	27.11.2016	06.11.2016	09.10.2016	25.12.2016

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**VIII. EXPLANATIONS ON LIQUIDITY RISK (Continued):**

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

31 December 2016	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (***)	Total
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	26.878	1.291.983	-	-	-	-	-	1.318.861
Due From Banks	16.389	223.269	-	-	-	-	-	239.658
Financial Assets at Fair Value Through Profit or Loss (*)	-	41.950	27.657	22.538	199.814	13.897	-	305.856
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	31.371	122.912	261.995	92.465	6.851	515.594
Loans	-	1.165.620	1.687.404	2.063.305	4.408.861	1.248.538	111.799	10.685.527
Held-to-Maturity Investments	-	-	-	-	74.975	86.632	-	161.607
Other Assets (**)	-	30.828	1.772	15.703	482	1.799	443.929	494.513
<b>Total Assets</b>	<b>43.267</b>	<b>2.753.650</b>	<b>1.748.204</b>	<b>2.224.458</b>	<b>4.946.127</b>	<b>1.443.331</b>	<b>562.579</b>	<b>13.721.616</b>
<b>Liabilities</b>								
Bank Deposits	6.772	50.023	-	-	-	-	-	56.795
Other Deposits	456.345	5.203.829	2.167.616	424.968	280	-	-	8.253.038
Funds Borrowed From Other Financial Institutions	-	50.441	109.843	1.788.222	234.753	1.080.938	-	3.264.197
Funds From Interbank Money Market	-	212.081	-	-	129.576	55.853	-	397.510
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	135.707	5.110	-	-	-	62.113	202.930
Other Liabilities (*) (***)	-	177.444	23.936	47.390	54.862	1.545	1.241.969	1.547.146
<b>Total Liabilities</b>	<b>463.117</b>	<b>5.829.525</b>	<b>2.306.505</b>	<b>2.260.580</b>	<b>419.471</b>	<b>1.138.336</b>	<b>1.304.082</b>	<b>13.721.616</b>
<b>Net Liquidity Gap</b>	<b>(419.850)</b>	<b>(3.075.875)</b>	<b>(558.301)</b>	<b>(36.122)</b>	<b>4.526.656</b>	<b>304.995</b>	<b>(741.503)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>451.497</b>	<b>193.290</b>	<b>48.895</b>	<b>(94.741)</b>	<b>840</b>	<b>-</b>	<b>599.781</b>
Financial Derivative Assets	-	2.349.223	963.496	486.348	798.626	2.101	-	4.599.794
Financial Derivative Liabilities	-	(1.897.726)	(770.206)	(437.453)	(893.367)	(1.261)	-	(4.000.013)
<b>Non-cash Loans</b>	<b>-</b>	<b>1.213.835</b>	<b>176.257</b>	<b>385.465</b>	<b>206.150</b>	<b>529</b>	<b>-</b>	<b>1.982.236</b>
<b>31 December 2015</b>								
Total Assets	46.093	2.275.992	1.592.141	1.944.930	3.256.728	1.110.280	448.670	10.674.834
Total Liabilities	464.104	4.353.888	2.369.631	987.190	885.252	438.891	1.175.878	10.674.834
<b>Net Liquidity Gap</b>	<b>(418.011)</b>	<b>(2.077.896)</b>	<b>(777.490)</b>	<b>957.740</b>	<b>2.371.476</b>	<b>671.389</b>	<b>(727.208)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(8.208)</b>	<b>(24.211)</b>	<b>(15.163)</b>	<b>(41.935)</b>	<b>69</b>	<b>-</b>	<b>(89.448)</b>
Financial Derivative Assets	-	2.467.712	1.154.880	745.095	353.823	117	-	4.721.627
Financial Derivative Liabilities	-	(2.475.920)	(1.179.091)	(760.258)	(395.758)	(48)	-	(4.811.075)
<b>Non-cash Loans</b>	<b>-</b>	<b>896.694</b>	<b>137.512</b>	<b>360.042</b>	<b>149.091</b>	<b>816</b>	<b>-</b>	<b>1.544.155</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 181.017 and the 1-5 years maturity period of Other Liabilities includes hedging derivative financial liabilities amounting to TL 29.486

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

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

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**VIII. EXPLANATIONS ON LIQUIDITY RISK (Continued):**

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

<b>31 December 2016</b>	<b>Demand and up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Above 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Deposits	56.806	-	-	-	-	56.806
Funds borrowed from other financial institutions	5.671.915	2.185.214	431.684	312	-	8.289.125
Funds from money market	51.994	131.479	1.834.843	410.937	1.204.894	3.634.147
Payables to money market	212.180	-	-	129.753	55.923	397.855
<b>Total</b>	<b>5.992.895</b>	<b>2.316.693</b>	<b>2.266.527</b>	<b>541.002</b>	<b>1.260.817</b>	<b>12.377.934</b>

<b>31 December 2015</b>	<b>Demand and up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Above 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Deposits	50.347	-	-	-	-	50.347
Funds borrowed from other financial institutions	4.141.734	2.229.654	253.346	60.515	-	6.685.249
Funds from money market	45.001	158.382	747.124	900.428	487.505	2.338.440
Payables to money market	396.140	-	-	-	-	396.140
<b>Total</b>	<b>4.633.222</b>	<b>2.388.036</b>	<b>1.000.470</b>	<b>960.943</b>	<b>487.505</b>	<b>9.470.176</b>

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

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

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**VIII. EXPLANATIONS ON LIQUIDITY RISK (Continued):**

<b>31 December 2015</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 months</b>	<b>Above 5 years</b>	<b>Total</b>
<b>Derivative instruments held for trading</b>						
Exchange rate derivatives:						
- Entry	2.466.739	1.146.702	729.874	64.543	-	4.407.858
- Out	2.474.885	1.160.417	733.512	63.067	-	4.431.881
Interest rate derivatives:						
- Entry	915	7.751	15.221	12.060	117	36.064
- Out	821	7.142	13.481	10.755	48	32.247
<b>Derivative instruments protection from risk</b>						
Exchange rate derivatives:						
- Entry	-	402	-	277.220	-	277.622
- Out	-	11.284	12.415	319.077	-	342.776
Interest rate derivatives:						
- Entry	58	25	-	-	-	83
- Out	214	248	850	2.859	-	4.171
<b>Total cash entry</b>	<b>2.467.712</b>	<b>1.154.880</b>	<b>745.095</b>	<b>353.823</b>	<b>117</b>	<b>4.721.627</b>
<b>Total cash out</b>	<b>2.475.920</b>	<b>1.179.091</b>	<b>760.258</b>	<b>395.758</b>	<b>48</b>	<b>4.811.075</b>

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**IX. EXPLANATIONS ON LEVERAGE RATIO:**

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

As of 31 December 2016, leverage ratio of the Bank calculated from the arithmetic average of the three months is 6,10% (31 December 2015: 7,10%). This ratio is above the minimum required. The most important reason for the difference in leverage ratio between current and prior period is the increase in the balance sheet assets.

**Disclosure of Leverage ratio template :**

	<b>31 December 2016 (*)</b>	<b>31 December 2015 (*)</b>
<b>Balance sheet assets</b>		
Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	13.105.162	10.681.961
(Assets deducted from Core capital)	56.278	50.246
Total risk amount of balance sheet assets	13.048.884	10.631.715
<b>Derivative financial assets and credit derivatives</b>		
Cost of replenishment for derivative financial assets and credit derivatives	213.654	50.623
Potential credit risk amount of derivative financial assets and credit derivatives	86.615	42.712
Total risk amount of derivative financial assets and credit derivatives	300.269	93.335
<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	3.111.949	2.561.389
(Correction amount due to multiplication with credit conversion rates)	-	-
Total risk of off-balance sheet transactions	3.111.949	2.561.389
<b>Capital and total risk</b>		
Core Capital	1.000.354	943.139
Total risk amount	16.461.102	13.286.439
<b>Leverage ratio</b>		
Leverage ratio	6,10%	7,10%

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

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**X. EXPLANATIONS ON HEDGE TRANSACTIONS:**

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

The swaps, of which carrying amount is TL 181.017 (31 December 2015: 40.845) derivative financial assets and TL 29.486 derivative financial liabilities (31 December 2015: 15.132), as of balance sheet date, are subjected to hedge accounting as hedging instruments. As a result of mentioned hedging account, the fair value expense in the amount of TL 12.699 (31 December 2015: TL 10.953 fair value income) after tax is recognized under the equity in the current period. Ineffective part is not available (31 December 2015: None).

Hedging Instrument	Hedging Subject	Exposed Risk	Hedging Instruments Fair Value		Hedging Funds (*)	Ineffective Part Accounted in Income Statement (Net)
			Assets	Liabilities		
Cross Currency Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	180.399	27.528	(782)	-
Interest Rate Swap	Floating rate up to 3 month maturity FC deposits	Cash flow risk of changes in market interest rates	618	1.958	22.697	-

(\*) Includes TMS27 impacts.

When hedge accounting of cash flow hedges cannot be maintained effectively as defined in TAS 39, the accounting application is ended. In case of deterioration of efficiency, the effective amounts, which are recognized under the equity due to the risk hedge accounting, are eliminated from equities in the periods or periods, when cash flow effects profit and losses (periods, when interest income or expenses are recognized) as re-classification adjustment and then it is re-classified in the profit and loss. There is no amount, which is transferred to income statement due to the swaps, of which effectiveness is damaged or closed in the current period (31 December 2015: None).

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

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

**a. Financial Assets and Liabilities at their fair values:**

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

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

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

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

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

	Book Value		Fair Value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Financial Assets</b>	<b>11.602.386</b>	<b>9.032.280</b>	<b>11.588.387</b>	<b>9.079.508</b>
Due from Money Market	-	-	-	-
Due from Banks	239.658	195.012	239.657	195.013
Available-for-Sale Financial Assets	515.594	649.514	515.594	649.514
Held-to-maturity Investments	161.607	-	162.239	-
Loans	10.685.527	8.187.754	10.670.897	8.234.981
<b>Financial Liabilities</b>	<b>11.776.960</b>	<b>8.930.969</b>	<b>11.784.582</b>	<b>8.930.603</b>
Bank Deposits	56.795	50.346	56.795	50.358
Other Deposits	8.253.038	6.645.262	8.259.177	6.645.626
Borrowings	3.264.197	2.165.721	3.265.680	2.164.979
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	202.930	69.640	202.930	69.640

**b. Fair value hierarchy:**

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

Aforesaid fair value hierarchy is determined as follows.

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

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

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

<b>31 December 2016</b>	<b>1<sup>st</sup> Level</b>	<b>2<sup>nd</sup> Level</b>	<b>3<sup>rd</sup> Level</b>	<b>Total</b>
Financial Assets at Fair Value Through Profit or Loss	13.650	111.189	-	124.839
Government Debt Securities	12.815	-	-	12.815
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	111.189	-	111.189
Other marketable securities	835	-	-	835
Available for Sale Financial Assets (*)	431.179	84.415	-	515.594
Share Certificates	0	6.849	-	6.849
Government Debt Securities	431.179	-	-	431.179
Other Marketable Securities	-	77.566	-	77.566
Hedging Derivative Financial Assets	-	181.017	-	181.017
<b>Total Assets</b>	<b>444.829</b>	<b>376.621</b>	<b>-</b>	<b>821.450</b>
Trading Derivative Financial Liabilities	-	166.902	-	166.902
Hedging Derivative Financial Liabilities	-	29.486	-	29.486
<b>Total Liabilities</b>	<b>-</b>	<b>196.388</b>	<b>-</b>	<b>196.388</b>

<b>31 December 2015</b>	<b>1<sup>st</sup> Level</b>	<b>2<sup>nd</sup> Level</b>	<b>3<sup>rd</sup> Level</b>	<b>Total</b>
Financial Assets at Fair Value Through Profit or Loss	12.214	72.266	-	84.480
Government Debt Securities	9.832	-	-	9.832
Share Certificates	-	-	-	-
Trading Derivative Financial Assets	-	72.266	-	72.266
Other Marketable Securities	2.382	-	-	2.382
Available for Sale Financial Assets (*)	538.426	111.088	-	649.514
Share Certificates	0	6.849	-	6.849
Government Debt Securities	538.426	-	-	538.426
Other Marketable Securities	-	104.239	-	104.239
Hedging Derivative Financial Assets	-	40.845	-	40.845
<b>Total Assets</b>	<b>550.640</b>	<b>224.199</b>	<b>-</b>	<b>774.839</b>
Trading Derivative Financial Liabilities	-	76.621	-	76.621
Hedging Derivative Financial Liabilities	-	15.132	-	15.132
<b>Total Liabilities</b>	<b>-</b>	<b>91.753</b>	<b>-</b>	<b>91.753</b>

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

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

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

**XIII. EXPLANATIONS ON OPERATING SEGMENTS:**

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

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

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

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

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

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

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

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

<b>31 December 2015 (*)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Other and Unclassified</b>	<b>Total Operations of the Bank</b>
Net Interest Income	29.408	266.386	23.696		319.490
Net Fees and Comissions	1.950	17.089	-		19.039
Commercial Profit/Loss	3.177	8.168	16.824		28.169
Other Operating Income	1.373	12.032	-		13.405
<b>Operating Income</b>	<b>35.908</b>	<b>303.675</b>	<b>40.520</b>	<b>-</b>	<b>380.103</b>
<b>Operating Costs (-)</b>	<b>29.475</b>	<b>199.574</b>	<b>9.944</b>	<b>86.836</b>	<b>325.830</b>
<b>Net Operating Income</b>	<b>6.433</b>	<b>104.101</b>	<b>30.576</b>	<b>(86.836)</b>	<b>54.273</b>
Dividend Income	-	-	-	54	54
Income/(Loss) from subsidiaries based on equity method	-	-	-	10.790	10.790
<b>Profit Before Tax</b>	<b>6.433</b>	<b>104.101</b>	<b>30.576</b>	<b>(75.992)</b>	<b>65.117</b>
Tax Provisions (-)	1.286	20.821	6.115	(15.274)	12.948
<b>Net Profit / Loss</b>	<b>5.147</b>	<b>83.280</b>	<b>24.461</b>	<b>(60.718)</b>	<b>52.169</b>
<b>31 December 2015 (*)</b>					
Segment Assets	482.181	8.329.884	1.439.612	-	10.251.677
Investments in associates, subsidiaries and joint ventures	-	-	-	228.722	228.722
Unallocated Assets	-	-	-	194.435	194.435
<b>Total Assets</b>	<b>482.181</b>	<b>8.329.884</b>	<b>1.439.612</b>	<b>423.157</b>	<b>10.674.834</b>
Segments Liabilities	3.691.540	3.037.552	2.653.260	-	9.382.352
Unallocated Liabilities	-	-	-	1.292.482	1.292.482
<b>Total Liabilities</b>	<b>3.691.540</b>	<b>3.037.552</b>	<b>2.653.260</b>	<b>1.292.482</b>	<b>10.674.834</b>

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

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**SECTION FIVE**

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

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

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

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Cash/Foreign currency	11.493	15.353	13.417	12.994
CBRT	149.757	1.142.258	134.468	933.193
Other	-	-	-	-
<b>Total</b>	<b>161.250</b>	<b>1.157.611</b>	<b>147.885</b>	<b>946.187</b>

2. Information on the account of the CBRT:

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

3. Information on reserve requirements:

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

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

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

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

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

- As of 31 December 2016, there is no amount subject to repo transactions from financial assets at fair value through profit or loss (31 December 2015:None).
- Positive differences related to derivative financial instruments held for trading:

	31-Dec-16		31-Dec-15	
	TL	FC	TL	FC
Forward Transactions	14.659	1.638	11.203	1.264
Swap Transactions	45.831	28.788	26.320	14.790
Futures Transactions	-	-	-	-
Options	588	19.685	133	18.556
Other	-	-	-	-
<b>Total</b>	<b>61.078</b>	<b>50.111</b>	<b>37.656</b>	<b>34.610</b>

**c. Information on banks:**

- Information on banks:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Banks				
Domestic	22	223.273	87.094	90.464
Foreign	-	16.363	-	17.454
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>22</b>	<b>239.636</b>	<b>87.094</b>	<b>107.918</b>

- Information on foreign banks

	Unrestricted Amount		Restricted Amount	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
EU Countries	10.828	5.612	-	-
USA, Canada	4.829	3.453	-	-
OECD Countries (*)	470	8.049	-	-
Off-shore Banking Regions	-	-	-	-
Others	236	340	-	-
<b>Total</b>	<b>16.363</b>	<b>17.454</b>	<b>-</b>	<b>-</b>

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

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

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

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

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

As of 31 December 2016, there are TL 29.408 available-for-sale financial assets given as collateral/blocked (31 December 2015: TL 70.153) and those subject to repurchase agreements amounts to TL 295.810 (31 December 2015: TL 470.878).

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

	31 December 2016	31 December 2015
Debt Securities	515.136	644.190
Quoted on Stock Exchange	515.136	644.190
Not Quoted	-	-
Share Certificates	6.849	6.849
Quoted on Stock Exchange	-	-
Not Quoted	6.849	6.849
Impairment Provision (-)	6.391	1.525
<b>Total</b>	<b>515.594</b>	<b>649.514</b>

**e. Explanations on loans:**

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

	31 December 2016		31 December 2015	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	-	-	219
Corporate Shareholders	-	-	-	219
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	6.288	-	4.896	-
<b>Total</b>	<b>6.288</b>	<b>-</b>	<b>4.896</b>	<b>219</b>

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

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

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

i.

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring			
	Loans and Other Receivables (Total)	Restructured or Rescheduled		Loans and Other Receivables (Total)	Restructured or Rescheduled	
		Loans with Restructured Payment Plans	Other		Loans with Restructured Payment Plans	Other
Non-Specialised Loans	9.896.801	-	-	676.927	215.627	1.714
Loans Given to Enterprises	-	-	-	-	-	-
Export Loans	372.484	-	-	68.383	995	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	460.955	-	-	-	-	-
Consumer Loans	237.324	-	-	17.740	-	-
Credit Cards	4.824	-	-	779	-	-
Other (*)	8.821.214	-	-	590.025	214.632	1.714
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
<b>Total</b>	<b>9.896.801</b>	-	-	<b>676.927</b>	<b>215.627</b>	<b>1.714</b>

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

ii.

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

iii.

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

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

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

3. Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	2.582.684	-	113.770	17.498
Non-specialised Loans	2.582.684	-	113.770	17.498
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	7.314.117	-	345.816	199.843
Non-specialised Loans	7.314.117	-	345.816	199.843
Specialised Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>TOTAL</b>	<b>9.896.801</b>	<b>-</b>	<b>459.586</b>	<b>217.341</b>

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

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

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

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

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

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

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

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

6. Loans according to types of borrowers:

	31 December 2016	31 December 2015
Public	-	4.500
Private	10.573.728	8.092.006
<b>Total</b>	<b>10.573.728</b>	<b>8.096.506</b>

7. Distribution of domestic and foreign loans:

	31 December 2016	31 December 2015
Domestic Loans	10.573.728	8.096.506
Foreign Loans	-	-
<b>Total</b>	<b>10.573.728</b>	<b>8.096.506</b>

8. Loans given to associates and subsidiaries;

	31 December 2016	31 December 2015
Direct Loans given to associates and subsidiaries	-	-
Indirect Loans given to associates and subsidiaries	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

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

9. Specific provisions provided against loans:

	31 December 2016	31 December 2015
Loans and Other Receivables with Limited Collectability	12.293	4.112
Loans and Other Receivables with Doubtful Collectability	17.709	11.489
Uncollectible Loans and Other Receivables	89.416	103.456
<b>Total</b>	<b>119.418</b>	<b>119.057</b>

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

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

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

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

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>Prior Period End Balance</b>	<b>37.718</b>	<b>39.205</b>	<b>133.382</b>
Additions (+)	143.520	10.945	15.949
Transfers from Other Categories of Non performing Loans (+)	-	112.644	94.379
Transfers to Other Categories of Non-performing Loans (-)	112.644	94.379	-
Collections (-)	24.293	22.123	32.136
Write-offs (-) (*)	-	2.477	68.473
Corporate and Commercial Loans	-	2.476	68.261
Consumer Loans	-	-	87
Credit Cards	-	1	125
Other	-	-	-
<b>Balance at the End of the Period</b>	<b>44.301</b>	<b>43.815</b>	<b>143.101</b>
Specific Provision (-)	12.293	17.709	89.416
<b>Net Balance on Balance Sheet</b>	<b>32.008</b>	<b>26.106</b>	<b>53.685</b>

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

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

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

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

	<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>31 December 2016</b>			
Period-End Balance	22.201	14.453	11.390
Specific Provision (-)	9.377	7.229	3.932
<b>Net Balance on balance sheet</b>	<b>12.824</b>	<b>7.224</b>	<b>7.458</b>
<b>31 December 2015</b>			
Period-End Balance	121	2.340	3.651
Specific Provision (-)	24	1.168	3.388
<b>Net Balance on balance sheet</b>	<b>97</b>	<b>1.172</b>	<b>263</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>32.008</b>	<b>26.106</b>	<b>53.685</b>
Loans Given to Real Persons and Legal Persons (Gross)	44.301	43.815	143.101
Specific Provision Amount (-)	12.293	17.709	89.416
Loans Given to Real Persons and Legal Persons (Net)	32.008	26.106	53.685
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>33.606</b>	<b>27.716</b>	<b>29.926</b>
Loans Given to Real Persons and Legal Persons (Gross)	37.718	39.205	133.382
Specific Provision Amount (-)	4.112	11.489	103.456
Loans Given to Real Persons and Legal Persons (Net)	33.606	27.716	29.926
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

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

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

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

12. Explanations on the write-off policy:

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

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

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	161.607	-	-
Other	-	-	-	-
<b>Total</b>	-	<b>161.607</b>	-	-

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Bonds	-	-	-	-
Bonds and Smilar Securities	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	-	-	-

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

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

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

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

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

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

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

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

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

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

None (31 December 2015: None).

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

1. Information on unconsolidated subsidiaries:

None (31 December 2015: None).

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

None (31 December 2015: None).

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

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

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

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

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

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

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

5. Movement schedules of subsidiaries:

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

(\*) Includes the increases that occurred in the third part referred to footnote 1 in accordance with TAS 27 related with the equity method accounting.

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(Continued)**

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

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

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

7. Subsidiaries quoted on stock exchange:

None (31 December 2015: None).

**i. Information on joint ventures:**

None (31 December 2015: None).

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

None (31 December 2015: None).

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

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TP</b>	<b>FC</b>	<b>TP</b>	<b>FC</b>
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	176.246	4.771	40.809	36
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>176.246</b>	<b>4.771</b>	<b>40.809</b>	<b>36</b>

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

**I. Information on investment property:**

	<b>Immovables</b>	<b>Motor Vehicles</b>	<b>Other Tangible Assets</b>	<b>Total</b>
<b>31 December 2014</b>				
Cost	22.101	-	53.929	76.030
Accumulated depreciation (-)	2.101	-	37.850	39.951
<b>Net book value</b>	<b>20.000</b>	<b>-</b>	<b>16.079</b>	<b>36.079</b>
<b>31 December 2015</b>				
Net book value at beginning of the period	20.000	-	16.079	36.079
Additions	21	-	27.585	27.606
Disposals (-) (net)	-	-	517	517
Impairment (-)	-	-	-	-
Depreciation (-)	440	-	7.120	7.560
Revaluation Increase	2.419	-	-	2.419
Cost at Period End	24.541	-	71.873	96.414
Accumulated Depreciation at Period End (-)	2.541	-	35.846	38.387
<b>Closing Net Book Value at Period End</b>	<b>22.000</b>	<b>-</b>	<b>36.027</b>	<b>58.027</b>

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

**m. Information on intangible assets:**

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
Gross Book Value	78.392	66.864
Accumulated Depreciation (-)	32.040	24.255
<b>Net Book Value</b>	<b>46.352</b>	<b>42.609</b>

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(Continued)**

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

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

	31 December 2015	31 December 2014
<b>Beginning of the Period</b>	<b>42.609</b>	<b>42.348</b>
Internally Generated Amounts	-	-
Additions due to Mergers, Transfers and Acquisitions	11.572	7.129
Disposals	22	0
Amount Accounted under Revaluation Reserve	-	-
Impairment	-	-
Impairment Reversal	-	-
Amortisation (-)	7.807	6.868
Net Foreign Currency Difference From Foreign Investments in Associates	-	-
Other Changes in Book Value	-	-
<b>End of the Period</b>	<b>46.352</b>	<b>42.609</b>

**n. Information on investment property:**

None (31 December 2015: None).

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

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

As of 31 December 2016, the Bank has netted-off the calculated deferred tax asset of TL 16.459 (31 December 2015: TL 12.640) and deferred tax liability of TL 30.255 (31 December 2015: TL 11.985) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 13.796 (31 December 2015: TL 655 net deferred tax asset) in the financial statements.

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

	Accumulated Temporary Differences		Deferred Tax Assets/Liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Provision for Legal Cases	6.835	4.652	1.367	930
Provisions for Possible Risks	26.784	27.936	5.357	5.587
Reserve for Employee Rights	14.484	12.614	2.897	2.523
Unearned Revenue	21.231	17.303	4.246	3.461
Other	12.959	694	2.592	139
<b>Deferred Tax Assets</b>	<b>82.293</b>	<b>63.199</b>	<b>16.459</b>	<b>12.640</b>
Difference Between Book Value and Tax Base of Tangible and Intangible Assets	27.492	26.929	5.498	5.386
Valuation Differences of Derivative Instruments	115.360	32.996	23.072	6.599
Other	8.423	-	1.685	-
<b>Deferred Tax Liabilities</b>	<b>151.275</b>	<b>59.925</b>	<b>30.255</b>	<b>11.985</b>
<b>Deferred Tax Assets/(Liabilities) (Net)</b>	<b>(68.982)</b>	<b>3.274</b>	<b>(13.796)</b>	<b>655</b>

Movement of deferred tax asset/ liabilities is presented below:

	31 December 2016	31 December 2015
<b>Balance as of 1 January</b>	<b>655</b>	<b>11.793</b>
Current year deferred tax income/(expense) (net)	(13.211)	(9.350)
Deferred tax charged to equity (net)	(1.240)	(1.788)
<b>Balance at the End of the Period</b>	<b>(13.796)</b>	<b>655</b>

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

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

The Bank has assets held for resale amounting to TL 45.165 (31 December 2015: TL 6.685) and has no discontinued operations.

<b>Prior Period</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cost	7.196	11.673
Accumulated Depreciation (-)	511	736
<b>Net Book Value</b>	<b>6.685</b>	<b>10.937</b>
<b>Current Period</b>		
Net book value at beginning of the period	6.685	10.937
Additions	41.077	2.508
Disposals (-), net	2.131	6.504
Impairment (-)	49	-
Depreciation (-)	417	256
Cost	45.996	7.196
Accumulated Depreciation (-)	831	511
<b>Closing Net Book Value</b>	<b>45.165</b>	<b>6.685</b>

**q. Information on other assets:**

As of 31 December 2016, other assets amount to TL 105.363 (31 December 2015: TL 86.459) and does not exceed 10% of the total assets excluding off-balance sheet commitments.

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

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

**a. Information on deposits:**

1. Information on maturity structure of deposits:

i. 31 December 2016:

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

ii. 31 December 2015:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months - 1 year	1 year and over	Accum. Deposit	Total
Saving Deposits	17.464	-	43.275	934.636	76.602	42.099	48.034	-	1.162.110
Foreign Currency Deposits	340.659	-	175.192	3.526.447	562.193	67.020	96.671	-	4.768.182
Residents in Turkey	313.528	-	174.687	3.507.803	547.211	64.898	53.637	-	4.661.764
Residents Abroad	27.131	-	505	18.644	14.982	2.122	43.034	-	106.418
Public Sector Deposits	14.195	-	-	-	-	-	-	-	14.195
Commercial Deposits	78.425	-	71.465	281.151	37.777	55.905	56.059	-	580.782
Other Institutions Deposits	6.264	-	9.141	70.312	108	110	34.058	-	119.993
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	7.097	-	43.249	-	-	-	-	-	50.346
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	100	-	43.249	-	-	-	-	-	43.349
Foreign Banks	6.997	-	-	-	-	-	-	-	6.997
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>464.104</b>	<b>-</b>	<b>342.322</b>	<b>4.812.546</b>	<b>676.680</b>	<b>165.134</b>	<b>234.822</b>	<b>-</b>	<b>6.695.608</b>

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

2. Information on saving deposits insurance:

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

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

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

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

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

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

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

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

Derivative Financial Liabilities Held for Trading	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Forward Transactions	26.467	5.586	8.427	4.441
Swap Transactions	103.875	11.999	38.220	7.792
Futures Transactions	-	-	-	-
Options	482	18.493	56	17.685
Other	-	-	-	-
<b>Total</b>	<b>130.824</b>	<b>36.078</b>	<b>46.703</b>	<b>29.918</b>

**c. Information on borrowings:**

1. Information on banks and other financial institutions:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	24.711	48.646	37.466	69.130
From Foreign Banks, Institutions and Funds	-	2.133.362	-	1.620.232
<b>Total</b>	<b>24.711</b>	<b>2.182.008</b>	<b>37.466</b>	<b>1.689.362</b>

2. Information on maturity structure of borrowings:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Short-term	24.711	216.447	37.466	290.235
Medium and Long-term	-	1.965.561	-	1.399.127
<b>Total</b>	<b>24.711</b>	<b>2.182.008</b>	<b>37.466</b>	<b>1.689.362</b>

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

The Bank’s main funding sources are deposits and borrowings. As of 31 December 2016, deposits and borrowings from Bank’s risk group comprise 1% (31 December 2015: 2%) of total deposits. Besides this, Borrowings from Bank’s risk group comprise 59% (31 December 2015: 54%) of subordinated and other borrowings.

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

None (31 December 2015: None).

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

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

Other liabilities amounting to TL 67.273 (31 December 2015: TL 85.101) do not exceed 10% of the total of the balance sheet excluding off-balance sheet commitments.

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

None (31 December 2015: None).

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

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	27.528	1.958	15.132	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>27.528</b>	<b>1.958</b>	<b>15.132</b>	-

**h. Information on provisions:**

1. Information on general provisions:

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

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

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

2. Information on reserve for employment termination benefits:

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

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

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

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

Movement of reserve for employment termination benefits during the period:

	31 December 2016	31 December 2015
As of January 1	8.823	7.862
Service cost	1.644	1.460
Interest cost	935	665
Settlement cost	1.034	508
Actuarial loss/gain	(286)	585
Benefits paid (-)	2.694	2.257
<b>Total</b>	<b>9.456</b>	<b>8.823</b>

In addition, as of 31 December 2016 the Bank has accounted for vacation rights provision and personnel bonus provision amounting to TL 16.667 (31 December 2015:TL 14.741).

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

3. Other provisions:

i. Information on provisions for possible risks:

	31 December 2016	31 December 2015
Provisions for potential risks (*)	26.784	27.936
<b>Total</b>	<b>26.784</b>	<b>27.936</b>

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

ii. Information on other provisions:

The Bank set aside reserves under other provisions amounting to TL 6.835 (31 December 2015: TL 4.652) for lawsuits, TL 2.038 (31 December 2015: TL 1.941) for non-cash loans, TL 1.301 (31 December 2015: TL 1.192) for customer cheques commitments, TL 143 (31 December 2015: TL 62) for credit card loyalty points and TL 220 (31 December 2015: TL 183) for other receivables.

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

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

**i. Information on taxes payable:**

1. Information on tax provision:

As of 31 December 2016, there is no corporate tax provision (31 December 2015: TL 2.892).

2. Information on taxes payable:

	31 December 2016	31 December 2015
Corporate Tax Payable	-	2.892
Taxation of Marketable Securities	9.327	7.152
Property Tax	137	168
Banking Insurance Transaction Tax	6.101	6.180
Value Added Tax Payable	353	533
Other	2.731	2.525
<b>Total</b>	<b>18.649</b>	<b>19.450</b>

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

3. Information on premium payables:

	31 December 2016	31 December 2015
Social Security Premiums-Employee	1.895	827
Social Security Premiums-Employer	2.502	1.246
Bank Social Aid Pension Fund Premiums-Employee	-	-
Bank Social Aid Pension Fund Premiums-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	132	58
Unemployment Insurance-Employer	264	115
Other	-	-
<b>Total</b>	<b>4.793</b>	<b>2.246</b>

4. As of 31 December 2016, the Bank has netted-off the calculated deferred tax asset of TL 16.459 (31 December 2015: TL 12.640) and deferred tax liability of TL 30.255 (31 December 2015: TL 11.985) in accordance with “TAS 12” and has recorded a net deferred tax liability of TL 13.796 (31 December 2015: TL 655 net deferred tax asset) in the financial statements.

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

None (31 December 2015: None).

**k. Information on subordinated loans:**

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

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

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

**Information about subordinated loans:**

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1.057.478	-	438.893
Other Foreign	-	-	-	-
<b>Total</b>	-	<b>1.057.478</b>	-	<b>438.893</b>

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(Continued)**

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

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

1. Presentation of paid-in capital:

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

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

Capital System	Paid-in Capital	Ceiling
Registered Capital	900.000	1.000.000

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

None.

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

None.

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

None.

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

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

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

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

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(Continued)**

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

8. Information on marketable securities valuation reserve:

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

9. Information on tangible assets revaluation reserve:

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

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

According to the General Assembly meeting decision on 31 March 2016, the profit of 2015 which to TL 52.169 (TAS 27) is not distributed. It is classified as TL 1.071 is legal reserve, TL 4.813 is extraordinary reserve and TL 46.285 is absorbed from losses of previous period.

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

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

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

1. The amount and type of irrevocable commitments:

	31 December 2016	31 December 2015
Foreign currency buy/sell commitments	576.525	495.701
Commitments for cheques	302.867	299.665
Loan limit commitments	145.005	168.409
Commitments for credit card limits	17.475	25.825
Capital commitments for subsidiaries	14.997	-
Commitments for purchase and sale of marketable securities	618	-
Promotions for the credit cards and their care services	14	19
Blocked cheques given to customers	-	3.300
<b>Total</b>	<b>1.057.501</b>	<b>992.919</b>

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

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

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

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

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

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

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

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

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

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

	31 December 2016				31 December 2015			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>1.001</b>	<b>0,14</b>	<b>8.235</b>	<b>0,66</b>	<b>10.761</b>	<b>1,70</b>	<b>8.803</b>	<b>0,96</b>
Farming and Livestock	772	0,11	8.235	0,66	10.498	1,66	8.803	0,96
Forestry	-	-	-	-	-	-	-	-
Fishing	229	0,03	-	-	263	0,04	-	-
<b>Manufacturing</b>	<b>253.533</b>	<b>34,51</b>	<b>593.507</b>	<b>47,57</b>	<b>193.898</b>	<b>30,70</b>	<b>484.018</b>	<b>53,04</b>
Mining	103.731	14,12	128.295	10,28	12.403	1,96	84.198	9,23
Production	141.345	19,24	461.962	37,03	167.702	26,55	396.047	43,40
Electric, Gas, Water	8.457	1,15	3.250	0,26	13.793	2,18	3.773	0,41
<b>Construction</b>	<b>213.385</b>	<b>29,04</b>	<b>372.048</b>	<b>29,82</b>	<b>173.363</b>	<b>27,45</b>	<b>259.092</b>	<b>28,39</b>
<b>Services</b>	<b>250.629</b>	<b>34,11</b>	<b>273.116</b>	<b>21,89</b>	<b>236.264</b>	<b>37,40</b>	<b>158.234</b>	<b>17,34</b>
Wholesale and Retail Trade	86.510	11,77	76.906	6,16	128.311	20,31	73.087	8,01
Hotel and Food Services	9.255	1,26	21.858	1,75	8.546	1,35	2.261	0,25
Transportation and Telecommunication	22.856	3,11	12.418	1,00	22.313	3,53	16.243	1,78
Financial Institutions	109.858	14,95	135.025	10,82	48.875	7,74	38.049	4,17
Real Estate and Leasing Ser.	11.915	1,62	20.752	1,66	18.943	3,00	25.802	2,83
Professional Services	6.187	0,84	-	-	2.575	0,41	-	-
Education Services	66	0,01	951	0,08	98	0,02	-	-
Health and Social Services	3.982	0,54	5.206	0,42	6.603	1,05	2.792	0,31
<b>Other</b>	<b>16.149</b>	<b>2,20</b>	<b>633</b>	<b>0,05</b>	<b>17.386</b>	<b>2,75</b>	<b>2.336</b>	<b>0,26</b>
<b>Total</b>	<b>734.697</b>	<b>100</b>	<b>1.247.539</b>	<b>100</b>	<b>631.672</b>	<b>100</b>	<b>912.483</b>	<b>100</b>

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

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

Current Period (*)	Group I		Group II	
	TL	FC	TL	FC
Letters of Guarantee	699.027	835.452	27.458	18.006
Acceptance and Acceptance Loans	3.750	126.967	-	-
Letters of Credit	-	256.035	-	600
Endorsements	-	-	-	-
Securities Issuance Guarantees	-	-	-	-
Factoring Guarantees	28	-	-	-
Other Commitments and Contingencies	-	10.429	-	-
<b>Total</b>	<b>702.805</b>	<b>1.228.883</b>	<b>27.458</b>	<b>18.606</b>

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

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

	31 December 2016	31 December 2015
<b>Types of Trading Transactions</b>		
<b>Foreign currency related derivative transactions (I)</b>	<b>12.003.911</b>	<b>12.240.871</b>
Currency forward transactions	1.016.154	1.324.583
Currency swap transactions	5.211.412	5.891.542
Futures transactions	-	-
Options	5.776.345	5.024.746
<b>Interest related derivative transactions (II)</b>	<b>7.122.724</b>	<b>4.156.866</b>
Forward rate agreements	-	-
Interest rate swaps	7.122.724	4.156.866
Interest rate options	-	-
Interest rate futures	-	-
<b>A. Total trading derivative transactions (I+II)</b>	<b>19.126.635</b>	<b>16.397.737</b>
<b>Types of hedging transactions</b>	<b>2.281.196</b>	<b>984.772</b>
Fair value hedges	-	-
Cash flow hedges	2.281.196	984.772
Foreign currency investment hedges	-	-
<b>B. Total hedging related derivatives</b>	<b>2.281.196</b>	<b>984.772</b>
<b>Total derivative transactions (A+B)</b>	<b>21.407.831</b>	<b>17.382.509</b>

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

As of 31 December 2016, the total amount of legal cases against the Bank is TL 44.938 (31 December 2015: TL 34.582) and the Bank sets aside a provision of TL 6.835 (31 December 2015: TL 4.652) regarding these risks. Due to the delayed reply to e-foreclosure sent by Gökpınar Tax Administration, negative declaratory action has been claimed at “Denizli Tax Authority” and “Denizli Civil Court of General Jurisdiction” for cancellation of the payment order of TL 25.459, which was notified to the Bank. The transactions have been stopped with obtaining injunction in response to 15% collateral. The law cases in local courts have resulted in favor of the Bank. The cases are at the appeal phase. As a result, the Bank did not book any provision.

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

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

<b>FITCH (9 February 2017)</b>	
<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)

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

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

**a. Information on interest income:**

1. Information on interest income on loans:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Interest Income on Loans (*)</b>				
Short-term Loans	331.521	19.672	332.789	16.632
Medium/Long-term Loans	212.962	262.328	141.763	192.752
Interest on Loans Under Follow-up	5.176	-	4.119	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total</b>	<b>549.659</b>	<b>282.000</b>	<b>478.671</b>	<b>209.384</b>

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

2. Information on interest income on banks:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
From the CBRT	-	-	-	-
From Domestic Banks	1.643	309	2.919	95
From Foreign Banks	-	17	-	32
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>1.643</b>	<b>326</b>	<b>2.919</b>	<b>127</b>

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

3. Information on interest income on marketable securities:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
From Trading Financial Assets	3.008	239	3.198	60
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	22.165	12.613	26.090	5.618
From Held-to-Maturity Investments	-	1.839	-	-
<b>Total</b>	<b>25.173</b>	<b>14.691</b>	<b>29.288</b>	<b>5.678</b>

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

	31 December 2016	31 December 2015
Interest Received From Investments in Associates and Subsidiaries	270	64

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

**b. Information on interest expense:**

1. Information on interest expense on borrowings:

	31 December 2016		31 December 2015	
	TL	FC	TL	FC
Banks	2.182	83.422	2.991	60.730
The CBRT	-	-	-	-
Domestic Banks	2.177	1.064	2.976	1.094
Foreign Banks	5	82.358	15	59.636
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	9.863	-	-
<b>Total (*)</b>	<b>2.182</b>	<b>93.285</b>	<b>2.991</b>	<b>60.730</b>

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

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

	31 December 2016	31 December 2015
Interest Paid to Investment in Associates and Subsidiaries	2.681	1.030

3. Interest expense on issued marketable securities:

	31 December 2016	31 December 2015
Interest expense on issued marketable securities	4.383	-

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

Current Period	Demand Deposit	Time Deposit					Accum. Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Turkish Currency</b>								
Bank Deposits	9	470	-	-	-	-	-	479
Savings Deposits	-	8.215	163.092	19.446	9.397	7.460	-	207.610
Public Deposits	-	5	79	-	-	-	-	84
Commercial Deposits	-	11.624	39.007	4.932	3.578	4.634	-	63.775
Other Deposits	-	387	9.160	1.920	323	3.356	-	15.146
7 Day Notice Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9</b>	<b>20.701</b>	<b>211.338</b>	<b>26.298</b>	<b>13.298</b>	<b>15.450</b>	<b>-</b>	<b>287.094</b>
<b>Foreign Currency</b>								
Foreign Currency Account	-	2.850	90.418	14.693	2.234	2.112	-	112.307
Bank Deposits	-	204	-	-	-	-	-	204
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3.054</b>	<b>90.418</b>	<b>14.693</b>	<b>2.234</b>	<b>2.112</b>	<b>-</b>	<b>112.511</b>
<b>Sum Total</b>	<b>9</b>	<b>23.755</b>	<b>301.756</b>	<b>40.991</b>	<b>15.532</b>	<b>17.562</b>	<b>-</b>	<b>399.605</b>

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

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

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

**c. Information on dividend income:**

	31 December 2016	31 December 2015
Trading Financial Assets	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-Sale Financial Assets	328	54
Other	-	-
<b>Total</b>	<b>328</b>	<b>54</b>

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

	31 December 2016	31 December 2015
<b>Income</b>	<b>14.160.577</b>	<b>14.322.555</b>
Capital Market Transactions	10.472	9.138
Derivative Financial Transactions	37.743	21.285
Foreign Exchange Gains	14.112.362	14.292.132
<b>Loss (-)</b>	<b>14.137.905</b>	<b>14.294.386</b>
Capital Market Transactions	4.447	5.077
Derivative Financial Transactions	27.832	27.034
Foreign Exchange Loss	14.105.626	14.262.275
<b>Net Income/Loss</b>	<b>22.672</b>	<b>28.169</b>

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

As of 31 December 2016, the Bank’s other operating income is TL 9.254 (31 December 2015: TL 13.405). TL 1.247 (31 December 2015: TL 5.011) amount of the other operating income is composed of the profit from sales of the fixed assets that were classified as Asset Held for Resale.

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

	31 December 2016	31 December 2015
Specific Provisions for Loans and Other Receivables	65.689	64.917
III. Group Loans and Receivables	14.365	4.695
IV. Group Loans and Receivables	13.614	7.771
V. Group Loans and Receivables	37.710	52.451
General Provision Expenses	7.157	7.897
Provision Expense for Possible Risks	(3.354)	13.821
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-maturity Investments	-	-
Other	-	-
<b>Total</b>	<b>69.492</b>	<b>86.635</b>

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

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

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
Personnel Expenses	137.790	129.118
Reserve For Employee Termination Benefits(*)	4.013	2.798
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	8.619	7.560
Impairment Expenses of Intangible Assets	-	-
Amortisation Expenses of Intangible Assets	7.807	6.868
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	49	-
Depreciation Expenses of Assets Held for Resale	417	256
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	83.574	90.510
Operational Lease Expenses	26.891	28.750
Maintenance Expenses	1.247	1.071
Advertising Expenses	999	570
Other Expense	54.437	60.119
Loss on Sales of Assets	298	548
Other (**)	24.813	1.537
<b>Total</b>	<b>267.380</b>	<b>239.195</b>

(\*) As of 31 December 2016, “the employee vacation fee provision expense” is TL 424 (31 December 2015: TL 154).

(\*\*) In the previous term, within the other; As a result of the settlement of an existing case, revenue amounting to TL 14.758, which was reversed in the current year, has been recorded as TL 13.220 for the related case.

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

The Bank has no discontinued operations. The Bank’s net in profit before taxes from continuing operations is TL 91.362 (31 December 2015: TL 65.117 profit before tax).

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

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

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

As of 31 December 2016, the Bank has TL 6.478 current tax expense amounting and deferred tax expense amounting to TL 13.211.

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

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

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

The Bank has TL 3.951 deferred tax income from temporary differences and no tax expense from carried financial loss and TL 17.162 deferred tax expense from closed temporary differences amounting to net TL 13.211 deferred tax expense.

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

As of 31 December 2016, the Bank has TL 13.211 deferred tax expense arising from temporary differences and there is no deferred tax expense from carried financial loss belongs to the prior period.

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

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

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

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

None.

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

None.

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

1. Interest income amounts to TL 1.143.862 (31 December 2015: TL 845.777) and TL 253.226 (31 December 2015: TL 110.205) of this amount is classified as "Other Interest Income" in the income statement of Bank in the current period.

	31 December 2016	31 December 2015
<b>Other Interest Income</b>		
Interest Income Related to Derivative Transactions	250.419	108.571
Other	2.807	1.634
<b>Total</b>	<b>253.226</b>	<b>110.205</b>

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

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

2. Interest expense amounts to TL 776.088 (31 December 2015: TL 526.287), TL 259.909 (31 December 2015: TL 162.837) of this amount is classified as "Other Interest Expense" in the income statement of Bank in the current period.

	31 December 2016	31 December 2015
<b>Other Interest Expense</b>		
Interest Expense Related to Derivative Transactions	249.251	162.070
Other	10.658	767
<b>Total</b>	<b>259.909</b>	<b>162.837</b>

3. As of 31 December 2016, the Bank’s fee and commission income amounts to TL 28.702 (31 December 2015: TL 26.517) and TL 14.285 (31 December 2015: TL 14.763) the related amount is classified under “Other fee and commission income” account.

	31 December 2016	31 December 2015
<b>Other Fee and Commissions Received</b>		
Credit Card and POS Transaction Commission	2.152	4.706
Account Operating Fees	1.439	1.763
Insurance Commissions	1.040	1.554
Transfer Commissions	899	1.396
Commissions from Correspondent Banks	404	406
OrtakNokta Commissions	151	116
Commissions on Investment Fund Services	99	84
Letter of Credit Commissions	12	20
Other	8.089	4.718
<b>Total</b>	<b>14.285</b>	<b>14.763</b>

4. As of 31 December 2016, Bank’s fee and commission expense amounts to TL 5.522 (31 December 2015: TL 7.478) and TL 5.500 (31 December 2015: TL 7.464) of the related amount is classified under “Other fee and commission expense” account.

	31 December 2016	31 December 2015
<b>Other Fee and Commissions Given</b>		
Credit Card Transaction Commission	2.859	5.127
Commissions Granted to Correspondent Banks	865	848
EFT Commissions	648	593
OrtakNokta Commissions	415	461
Transfer Commissions	103	136
Other	610	299
<b>Total</b>	<b>5.500</b>	<b>7.464</b>

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

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

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

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

**b. Information on distribution of profit:**

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

**c. Information on capital increase:**

There is no capital increase in 2016.

**d. Information on valuation differences of marketable securities:**

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

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

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

The reversal from revaluation reserve to their fair value for immovables amounting to TL 1.005 net of tax (31 December 2015: TL 1.935) is accounted under “Revaluation differences of tangible assets and intangible assets”.

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

**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS**

**a. Information on cash and cash equivalent assets:**

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

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

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

	31 December 2016	31 December 2015
<b>Cash</b>	<b>376.160</b>	<b>393.691</b>
Cash, Foreign Currency and Other	26.411	30.159
Demand Deposits in Banks	349.749	363.532
<b>Cash Equivalents</b>	<b>176.001</b>	<b>109.062</b>
Interbank Money Market	-	-
Time Deposits in Bank	176.001	109.062
<b>Total Cash and Cash Equivalents</b>	<b>552.161</b>	<b>502.753</b>

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

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

	31 December 2016	31 December 2015
<b>Cash</b>	<b>412.911</b>	<b>376.160</b>
Cash, Foreign Currency and Other	26.845	26.411
Demand Deposits in Banks	386.065	349.749
<b>Cash Equivalents</b>	<b>221.505</b>	<b>176.001</b>
Interbank Money Market	-	-
Time Deposits in Bank	221.505	176.001
<b>Total Cash and Cash Equivalents</b>	<b>634.416</b>	<b>552.161</b>

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

“Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to negative TL 247.260 TL (31 December 2015: negative TL 53.726) and mainly consists of other operating income excluding collections from non-performing loans, other operating expenses excluding personnel expenses and foreign exchange gain and loss items.

“Net increase/decrease in liabilities” items presented in “Changes in operating assets and liabilities” amount to positive TL 125.319 (31 December 2015: positive TL 34.834) and consist of changes in other liabilities and miscellaneous payables.

As of 31 December 2016, the effect of change in foreign exchange rate on cash and cash equivalents is calculated as approximately positive TL 38.302 (31 December 2015: positive TL 13.347).

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

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

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

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

31 December 2016:

Banks’ Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	-	23.519	-	219	89	8.753
Balance at the End of the Period	-	27.908	-	-	113	68.425
<b>Interest and Commission Income Received</b>	270	40	-	-	6	-

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

31 December 2015:

Banks’ Risk Group (*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	2.166	18.079	-	-	24	26.972
Balance at the End of the Period	-	23.519	-	219	89	8.753
<b>Interest and Commission Income Received</b>	64	32	-	-	7	-

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

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

Banks’ Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposit</b>						
Beginning of the Period	84.098	25.708	6.184	21.433	17.841	13.257
End of the Period	61.164	84.098	5.656	6.184	26.005	17.841
<b>Interest Expense on Deposits</b>	2.681	1.030	-	-	1.238	967

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

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

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

Banks’ Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Repurchase Transactions</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
<b>Interest Expense on Repurchase Transactions</b>	-	-	-	-	-	-

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

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

Banks’ Risk Group(*)	Investments in associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions for trading purposes</b>						
Beginning of the Period (**)	92.529	19.779	-	-	-	-
Balance at the end of the period (**)	307.337	92.529	-	-	-	-
<b>Total Profit/Loss</b>	<b>(12.351)</b>	<b>(2.898)</b>	-	-	-	-
<b>Transactions for hedging purposes</b>						
Beginning of the Period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

(\*\*)The information in table above shows the total amount of "buy".

**b. With respect to the Bank’s risk group:**

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

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

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

	<b>Total Risk Group</b>	<b>Share in Financial Statements (%)</b>
Borrowings	1.939.459	59,42
Deposit	96.333	4,86
Non-cash loans	92.825	1,12
Banks and Other Institutions	130	0,05
Loans	113	-

As of 31 December 2016, the Bank has realized interest expense amounting to TL 61.574 (31 December 2015: TL 36.979) on loans borrowed from the direct shareholders of the Bank.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP (Continued)**

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

According to the Joint Expense Sharing Agreement with the Bank and its subsidiaries; the Bank has TL 333 (31 December 2015: TL 151) as other operating income and has TL 6 (31 December 2015: None) as other operating expense. From Burgan Finansal Kiralama A.Ş., and TL 36 (31 December 2015: 138) from Burgan Yatırım Menkul Değerler A.Ş. as other operating income and TL 118 as other commission expense (31 December 2015:None).

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

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

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

**c. Information on benefits provided to top management:**

Top management of the Bank is composed of the Board of Directors, General Manager and Vice General Managers. The sum of benefits paid to top management, totals TL 17.239 (31 December 2015: TL 15.504) which include total gross salary, travel, meal, health, life insurance and other expenses.

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

- a. Information on domestic, foreign branches and foreign representatives:

	Number	Employee number			
Domestic Branch	49	994			
			<b>Country of Incorporation</b>		
Foreign Representative	-	-	-		
				<b>Total Asset</b>	<b>Statutory share capital</b>
Foreign Branch	-	-	-	-	-
Off-Shore Banking Region Branch	-	-	-	-	-

- b. There is no event that would affect opening or closing a domestic branch, a foreign branch or a representative office.

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

None.

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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. OTHER EXPLANATIONS RELATED TO BANK’S OPERATIONS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

The unconsolidated financial statements as of 31 December 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited) and the auditor’s independent audit report dated 10 March 2017 has been presented prior to the unconsolidated financial statements.

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

None.