

Yapı ve Kredi Bankası A.Ş.

Publicly announced consolidated financial statements and related disclosures at September 30, 2016 together with auditor's review report

(Convenience translation of publicly announced consolidated financial statements and auditor's review report originally issued in Turkish, See Note I. of Section three)

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

REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Yapı ve Kredi Bankası A.Ş.

Introduction

We have reviewed the consolidated statement of financial position of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group") at September 30, 2016 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (BRSA) and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation; together referred as "BRSA Accounting and Reporting Legislation". Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of Yapı ve Kredi Bankası A.Ş. and its subsidiaries at September 30, 2016 and the results of its operations and its cash flows for the nine-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

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

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



Yasar Bivas, SMMM
Partner
November 2, 2016
Istanbul, Turkey

Convenience translation of publicly announced consolidated interim financial statements and review report originally issued in Turkish, See Note I. of Section three

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF
YAPI VE KREDİ BANKASI A.Ş. AS OF SEPTEMBER 30, 2016**

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The consolidated financial report for the nine months which is prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

Investments in subsidiaries, associates and joint ventures, whose financial statements have been consolidated in these consolidated financial statements are as follows.

Subsidiaries	Associates	Joint Ventures
1. Yapi Kredi Finansal Kiralama A.O.	1. Banque de Commerce et de Placements S.A.	1. Yapi Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.
2. Yapi Kredi Faktoring A.Ş.	2. Allianz Yaşam ve Emeklilik A.Ş.	
3. Yapi Kredi Yatırım Menkul Değerler A.Ş.		
4. Yapi Kredi Portföy Yönetimi A.Ş.		
5. Yapi Kredi Holding B.V.		
6. Yapi Kredi Bank Nederland N.V.		
7. Yapi Kredi Bank Moscow		
8. Stichting Custody Services YKB		
9. Yapi Kredi Bank Azerbaijan CJSC		
10. Yapi Kredi Invest LLC		
11. Yapi Kredi Bank Malta Ltd.		

Although, Yapi Kredi Diversified Payment Rights Finance Company (the Structured Entity) is not a subsidiary of the Bank, it has been included in the consolidation since the Bank has 100% control.

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

Y. Ali KOÇ
Chairman of the
Board of Directors

H. Faik AÇIKALIN
Chief Executive Officer

Massimo FRANCESE
Chief Financial Officer

B. Seda KIZLER
Financial Reporting and
Accounting Executive
Vice President

Mirko D. G. BIANCHI
Chairman of Audit Committee

Adil G. ÖZTOPRAK
Member of Audit Committee

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

Name-Surname / Title : Ahmet T. KAŞKA / International Reporting and Consolidation Manager
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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Section One

General Information

I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status, if any:

Yapı ve Kredi Bankası A.Ş. ("the Bank", "Yapı Kredi" or "the Parent Bank"), was established and started operations on September 9, 1944 with the permission of the Council of Ministers No. 3/6710 as a private capital commercial bank authorised to perform all banking, economic, financial and commercial activities which are allowed by the laws of the Turkish Republic. The statute of the Bank has not changed since its incorporation.

II. Explanation about the Parent Bank's capital structure, shareholders holding directly or indirectly, collectively or individually, the management and controlling power and changes in current year, if any and explanations on the controlling Group of the Bank:

The Parent Bank's publicly traded shares are traded on the Borsa Istanbul ("BIST") since 1987 and the representatives of these shares, Global Depository Receipts, are quoted at the London Stock Exchange. As of September 30, 2016, 18,20% of the shares of the Bank are publicly traded (December 31, 2015, - 18,20%). The remaining 81,80% is owned by Koç Finansal Hizmetler A.Ş. ("KFS"), a joint venture of UniCredit ("UCG") and Koç Group.

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organisation and it became the main shareholder of Koçbank in 2002. On October 22, 2002, Koç Group established a strategic partnership with UCG over KFS.

In 2005, the Bank's shares that were owned by Çukurova Group Companies and the Saving Deposits Insurance Fund ("SDIF") were purchased by Koçbank. In 2006, Koçbank purchased additional shares of the Bank from BIST and an investment fund and, during the same year, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks.

In 2006 and 2007, with the acquisition of Yapı Kredi and its subsidiaries, KFS Group launched structural reorganisation and the following subsidiaries is still under the control of group were legally merged:

Merging entities		Merger date	Merged entity
Yapı Kredi	Koçbank	October 2, 2006	Yapı Kredi
Yapı Kredi Finansal Kiralama A.O.("Yapı Kredi Leasing")	Koç Leasing	December 25, 2006	Yapı Kredi Leasing
Yapı Kredi Faktoring A.Ş.("Yapı Kredi Faktoring")	Koç Faktoring	December 29, 2006	Yapı Kredi Faktoring
Yapı Kredi Portföy Yönetimi A.Ş.("Yapı Kredi Portföy")	Koç Portföy	December 29, 2006	Yapı Kredi Portföy
Yapı Kredi Yatırım Menkul Değerler A.Ş.("Yapı Kredi Menkul")	Koç Yatırım	January 12, 2007	Yapı Kredi Menkul
Yapı Kredi Bank Nederland N.V.("Yapı Kredi NV")	Koçbank		
	Nederland N.V.	July 2, 2007	Yapı Kredi NV

After the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS owns 81,80% of the shares of the Bank.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016 (continued)

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

General information (continued)

III. Explanations regarding the board of directors, members of the audit committee, Chief Executive Officer and executive vice presidents, and their areas of responsibility and shares if any:

As of September 30, 2016, the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Board of Directors Members:

Name	Responsibility
Y. Ali KOÇ	Chairman
Carlo VIVALDI	Vice Chairman
H. Faik AÇIKALIN	Chief Executive Officer
Niccolò UBERTALLI	Deputy General Manager
Adil Giray ÖZTOPRAK	Independent Member
Ahmet Fadıl ASHABOĞLU	Member
A. Ümit TAFTALI	Member
Dr. Jürgen KULLNIGG ^{(1) (2)}	Member
F. Füsün Akkal BOZOK	Member
Gianni F. G. PAPA ⁽¹⁾	Member
Giovanna VILLA	Independent Member
Giuseppe SCOGNAMIGLIO	Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Independent Member

Audit Committee Members:

Name	Responsibility
Mirko D. G. BIANCHI ⁽²⁾	Chairman
Adil Giray ÖZTOPRAK	Member
Giovanna VILLA	Member

General Manager and Deputy General Manager:

Name	Responsibility
H. Faik AÇIKALIN	Chief Executive Officer
Niccolò UBERTALLI	Deputy General Manager

(1) Based on the decision of Board of Directors dated October 13, 2016, Gianfranco Bisagni and Wolfgang Schilk are provisionally elected in accordance with Article 363 of the Turkish Commercial Code instead of Gianni F. G. Papa and Dr. Jürgen Kullnigg who resigned on October 13, 2016 to be confirmed at the first forthcoming General Meeting of Shareholders.

(2) Based on the decision of Board of Directors dated October 13, 2016, Wolfgang Schilk is elected as a member and Chairman of the Audit Committee instead of Mirko D. G. Bianchi and also Wolfgang Schilk is elected as a member of Credit Committee instead of Dr. Jürgen Kullnigg who resigned from the Board of Directors.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016 (continued)

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

General information (continued)

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Feza TAN	Corporate and Commercial Banking Management
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Mehmet Gökmen UÇAR	Human Resources and Organization Management
Mehmet Murat ERMERT	Corporate Communication Management
Mert ÖNCÜ	Treasury Management
Mert YAZICIOĞLU	Private Banking and Asset Management
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Patrick Josef SCHMITT	Risk Management
Stefano PERAZZINI	Internal Audit / Chief Audit Executive
Yakup DOĞAN	Alternative Distribution Channels
Zeynep Nazan SOMER ÖZELGİN	Retail Banking Management

IV. Information on the individual and corporate shareholders having control shares of the Parent Bank:

Name/Commercial title	Share amounts (nominal)	Share percentage	Paid-in capital (nominal)	Unpaid portion
Koç Finansal Hizmetler A.Ş.	3.555.712.396,07	%81,80	3.555.712.396,07	-

Koç Finansal Hizmetler A.Ş. is a joint venture of Koç Group, UniCredit Group and Temel Ticaret ve Yatırım A.Ş.

V. Summary information on the Parent Bank's activities and service types:

The Parent Bank's activities summarized in the article 3 of the articles of association are as follows:

The Parent Bank's purpose and subject matter in accordance with the Banking Law, regulations and existing laws include:

- The execution of all banking activities,
- The execution of all economic and financial activities which are allowed by the regulation,
- The execution of the representation, attorney and agency activities related to the subjects written above,
- The purchase and sale of share certificates, bonds and all the capital market instruments, in accordance with Capital Market Law and regulations.

In case of necessity for performing activities which are useful and required but that are not specified in the articles of association, a Board of Directors' proposal is to be presented to the General Assembly. With the approval of the General Assembly the proposal becomes applicable, subject to the approvals required by law.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016 (continued)

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

General information (continued)

As of September 30, 2016, the Parent Bank has 964 branches operating in Turkey and 1 branch in overseas (December 31, 2015 - 999 branches operating in Turkey, 1 branch in overseas).

As of September 30, 2016, the Parent Bank has 18.545 employees (December 31, 2015 - 18.262 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of September 30, 2016 the Group has 19.611 employees (December 31, 2015 - 19.345 employees).

The accompanying consolidated financial statements and notes to these financial statements are expressed in thousands of Turkish Lira (TL), unless otherwise stated.

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:

According to communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the accompanying consolidated financial statements of the Group. Allianz Yaşam ve Emeklilik A.Ş., on which the Bank has indirect participation, is also consolidated through "Equity Method" in the consolidated financial statements of the Group. These entities are taken into account as a deduction item in shareholders' equity for the purpose of calculation of capital adequacy ratio.

Yapı Kredi Kültür Sanat Yayıncılık Tic. ve San. A.Ş., and Enternasyonal Turizm Yatırım A.Ş., which are subsidiaries of the Bank, are not consolidated into the Bank's consolidated financial statements in accordance with Communiqué of Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

VII. The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2016 and December 31, 2015

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

Section two

Consolidated financial statements

I. Consolidated balance sheet (Statement of Financial Position)

		Current Period (30/09/2016)			Prior Period (31/12/2015)		
Assets	Note (Section Five)	TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	6,463,421	22,857,538	29,320,959	3,463,676	23,925,271	27,388,947
II. Financial assets at fair value through profit or (loss) (net)	I-b	932,106	494,175	1,426,281	1,530,788	235,505	1,766,293
2.1 Trading financial assets		932,106	494,175	1,426,281	1,530,788	235,505	1,766,293
2.1.1 Government debt securities		24,796	17,130	41,926	51,614	14,492	66,106
2.1.2 Share certificates		20,658	-	20,658	8,040	-	8,040
2.1.3 Derivative financial assets held for trading		886,652	477,045	1,363,697	1,471,134	221,013	1,692,147
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit / (loss)		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	I-ç	1,169,049	2,469,978	3,639,027	34,426	3,077,079	3,111,505
IV. Money markets		3,089,841	-	3,089,841	155,281	130,845	286,126
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		88,858	-	88,858	155,270	130,845	286,115
4.3 Receivables from reverse repurchase agreements		3,000,983	-	3,000,983	11	-	11
V. Financial assets available-for-sale (net)	I-d,e	14,193,205	2,676,549	16,869,754	18,641,714	4,198,490	22,840,204
5.1 Share certificates		44,258	56,393	100,651	44,200	210,818	255,018
5.2 Government debt securities		13,397,999	1,356,386	14,754,385	17,759,935	2,635,202	20,395,137
5.3 Other marketable securities		750,948	1,263,770	2,014,718	837,579	1,352,470	2,190,049
VI. Loans and receivables	I-f	102,997,005	60,489,645	163,486,650	99,153,273	54,864,716	154,017,989
6.1 Loans and receivables		101,257,151	60,363,228	161,620,379	97,731,030	54,758,065	152,489,095
6.1.1 Loans to bank's risk group		1,356,946	512,591	1,869,537	1,539,567	248,413	1,787,980
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		99,900,205	59,850,637	159,750,842	96,191,463	54,509,652	150,701,115
6.2 Loans under follow-up		7,342,132	614,140	7,956,272	5,618,346	574,961	6,193,307
6.3 Specific provisions (-)		(5,602,278)	(487,723)	(6,090,001)	(4,196,103)	(488,310)	(4,684,413)
VII. Factoring receivables		937,958	1,499,159	2,437,117	1,226,141	1,032,983	2,259,124
VIII. Held-to-maturity investments (net)	I-g	3,991,086	5,607,605	9,598,691	1,960,446	5,148,363	7,108,809
8.1 Government debt securities		3,991,086	4,977,526	8,968,612	1,960,446	4,658,180	6,618,626
8.2 Other marketable securities		-	630,079	630,079	-	490,183	490,183
IX. Investments in associates (net)	I-ğ	218,250	380,291	598,541	211,588	338,140	549,728
9.1 Consolidated based on equity method		213,747	380,291	594,038	207,085	338,140	545,225
9.2 Unconsolidated		4,503	-	4,503	4,503	-	4,503
9.2.1 Investments in financial associates		-	-	-	-	-	-
9.2.2 Investments in non-financial associates		4,503	-	4,503	4,503	-	4,503
X. Subsidiaries (net)	I-h	7,300	-	7,300	7,300	-	7,300
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		7,300	-	7,300	7,300	-	7,300
XI. Joint ventures (net)	I-ı	18,328	-	18,328	20,851	-	20,851
11.1 Accounted based on equity method		18,328	-	18,328	20,851	-	20,851
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-ı	1,719,173	5,662,085	7,381,258	1,614,761	5,247,500	6,862,261
12.1 Financial lease receivables		2,225,259	6,540,637	8,765,896	2,037,181	6,100,328	8,137,509
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(506,086)	(878,552)	(1,384,638)	(422,420)	(852,828)	(1,275,248)
XIII. Derivative financial assets held for hedging	I-j	487,671	2	487,673	954,773	6,268	961,041
13.1 Fair value hedge		151,272	-	151,272	257,144	-	257,144
13.2 Cash flow hedge		336,399	2	336,401	697,629	6,268	703,897
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	2,680,144	31,043	2,711,187	2,733,389	34,095	2,767,484
XV. Intangible assets (net)	I-l	1,514,655	11,308	1,525,963	1,495,645	12,783	1,508,428
15.1 Goodwill		979,493	-	979,493	979,493	-	979,493
15.2 Other		535,162	11,308	546,470	516,152	12,783	528,935
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset		126,944	1,751	128,695	64,613	13,528	78,141
17.1 Current tax asset		-	1,751	1,751	2,763	8,680	11,423
17.2 Deferred tax asset	I-n	126,944	-	126,944	61,850	4,868	66,718
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	182,595	466	183,061	153,159	763	153,922
18.1 Held for sale purposes		182,595	466	183,061	153,159	763	153,922
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	2,304,181	2,894,065	5,198,246	1,821,607	1,758,172	3,579,779
Total assets		143,032,912	105,075,660	248,108,572	135,243,431	100,024,501	235,267,932

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2016 and December 31, 2015

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

I. Consolidated balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	75.301.154	63.296.180	138.597.334	67.161.726	62.863.339	130.025.065
1.1 Deposits of the Bank's risk group		7.805.384	10.913.623	18.719.007	7.064.701	7.279.374	14.344.075
1.2 Other		67.495.770	52.382.557	119.878.327	60.097.025	55.583.965	115.680.990
II. Derivative financial liabilities held for trading	II-b	749.941	493.243	1.243.184	1.624.462	297.946	1.922.408
III. Funds borrowed	II-c	741.190	26.064.903	26.806.093	1.272.041	23.588.938	24.860.979
IV. Money markets		9.757.568	2.764.491	12.522.059	12.098.151	2.165.386	14.263.537
4.1 Funds from interbank money market		-	-	-	1.887.563	-	1.887.563
4.2 Funds from Istanbul stock exchange money market		2.951.544	-	2.951.544	1.960.438	-	1.960.438
4.3 Funds provided under repurchase agreements		6.806.024	2.764.491	9.570.515	8.250.150	2.165.386	10.415.536
V. Marketable securities issued (net)	II-ç	4.305.035	12.231.268	16.536.303	4.200.363	12.972.530	17.172.893
5.1 Bills		1.865.265	114.413	1.979.678	2.106.752	451.305	2.558.057
5.2 Asset backed securities		-	5.716.061	5.716.061	-	6.083.274	6.083.274
5.3 Bonds		2.439.770	6.400.794	8.840.564	2.093.611	6.437.951	8.531.562
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		8.956.362	2.051.171	11.007.533	8.055.012	1.739.689	9.794.681
VIII. Other liabilities	II-d	2.670.363	469.755	3.140.118	1.818.088	937.971	2.756.059
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables	II-e	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	-	-	-	-	-
XI. Derivative financial liabilities held for hedging	II-f	365.929	236.831	602.760	39.313	108.965	148.278
11.1 Fair value hedge		21.067	205	21.272	3.926	305	4.231
11.2 Cash flow hedge		344.862	236.626	581.488	35.387	108.660	144.047
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-g	3.205.612	1.176.857	4.382.469	2.961.036	1.021.950	3.982.986
12.1 General loan loss provision		1.853.801	1.075.277	2.929.078	1.702.877	924.394	2.627.271
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		283.015	2.086	285.101	279.020	21.493	300.513
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		1.068.796	99.494	1.168.290	979.139	76.063	1.055.202
XIII. Tax liability	II-ğ	508.661	10.269	518.930	614.290	5.163	619.453
13.1 Current tax liability		508.661	2.426	511.087	500.356	-	500.356
13.2 Deferred tax liability		-	7.833	7.833	113.934	5.163	119.097
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	II-h	-	7.728.089	7.728.089	-	6.635.191	6.635.191
XVI. Shareholders' equity	II-ı	25.226.708	(202.998)	25.023.710	22.857.536	228.866	23.086.402
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		2.555.958	(202.998)	2.352.960	2.648.597	228.866	2.877.463
16.2.1 Share premium		543.881	-	543.881	543.881	-	543.881
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities valuation differences		(99.503)	14.607	(84.896)	(546.402)	261.490	(284.912)
16.2.4 Property and equipment revaluation differences		1.462.750	5.719	1.468.469	1.462.750	4.978	1.467.728
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Revaluation differences of investment property		-	-	-	-	-	-
16.2.7 Bonus shares from investments in associates, subsidiaries and joint ventures		4.561	-	4.561	4.503	-	4.503
16.2.8 Hedging funds (effective portion)		(554.433)	(223.324)	(777.757)	(9.083)	(34.866)	(43.949)
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1.198.702	-	1.198.702	1.192.948	(2.736)	1.190.212
16.3 Profit reserves		14.320.143	-	14.320.143	12.357.721	-	12.357.721
16.3.1 Legal reserves		844.539	-	844.539	751.512	-	751.512
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		12.913.149	-	12.913.149	11.148.251	-	11.148.251
16.3.4 Other profit reserves		562.455	-	562.455	457.958	-	457.958
16.4 Income or (loss)		4.003.073	-	4.003.073	3.503.693	-	3.503.693
16.4.1 Prior years' income or (loss)		1.640.254	-	1.640.254	1.595.010	-	1.595.010
16.4.2 Current year income or (loss)		2.362.819	-	2.362.819	1.908.683	-	1.908.683
16.5 Minority interest	II-i	483	-	483	474	-	474
Total liabilities and shareholders' equity		131.788.523	116.320.049	248.108.572	122.702.018	112.565.914	235.267.932

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2016 and December 31, 2015

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

II. Consolidated off-balance sheet commitments

		Current Period (30/09/2016)			Prior Period (31/12/2015)		
	Note (Section Five)	TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		148,653,720	196,171,063	344,824,783	158,377,335	210,923,096	369,300,431
I. Guarantees and warranties	III-a-2,3	20,801,683	42,409,980	63,211,663	18,076,823	39,567,673	57,644,196
1. Letters of guarantee		20,764,865	28,652,729	49,417,594	18,031,594	27,139,408	45,171,002
1.1. Guarantees subject to state tender law		473,644	1,003,187	1,476,831	522,480	1,134,886	1,657,366
1.1.2. Guarantees given for foreign trade operations		2,719,205	27,490,840	30,210,045	2,329,832	25,797,251	28,127,083
1.1.3. Other letters of guarantee		17,572,016	158,702	17,730,718	15,179,282	207,271	15,386,553
1.2. Bank acceptances		-	175,571	175,571	-	173,524	173,524
1.2.1. Import letter of acceptance		-	175,571	175,571	-	173,524	173,524
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		1,672	8,242,120	8,243,792	11,483	8,032,380	8,043,863
1.3.1. Documentary letters of credit		1,672	8,242,120	8,243,792	11,483	8,032,016	8,043,499
1.3.2. Other letters of credit		-	-	-	-	364	364
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		-	-	-	-	-	-
1.8. Other guarantees		35,140	1,482,744	1,517,890	33,446	1,430,529	1,463,975
1.9. Other warranties		-	3,856,816	3,856,816	-	2,791,832	2,791,832
II. Commitments	III-a-1	51,821,209	25,383,828	77,205,037	60,273,748	26,425,811	86,699,559
2. Irrevocable commitments		51,427,569	15,417,070	66,844,639	59,611,290	19,308,750	78,920,040
2.1. Asset purchase and sales commitments		3,682,418	14,517,290	18,199,708	13,018,015	17,850,821	30,868,836
2.1.1. Share capital commitments to associates and subsidiaries		5,145	946	6,091	-	-	-
2.1.2. Loan granting commitments		7,447,979	750,865	8,198,844	7,816,459	1,268,554	9,085,013
2.1.3. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.4. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.5. Commitments for cheques		6,652,329	-	6,652,329	6,521,085	-	6,521,085
2.1.6. Tax and fund liabilities from export commitments		-	6,656	6,656	-	-	6,376
2.1.7. Commitments for credit card limits		29,311,973	-	29,311,973	28,304,464	-	28,304,464
2.1.8. Receivables from short sale commitments of marketable securities		19,234	-	19,234	13,810	-	13,810
2.1.9. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.10. Other irrevocable commitments		4,301,835	147,969	4,449,804	3,931,081	189,375	4,120,456
2.2. Revocable commitments		393,640	9,966,558	10,360,198	662,458	7,117,061	7,779,519
2.2.1. Revocable loan granting commitments		393,640	9,910,955	10,304,595	662,458	7,053,496	7,715,954
2.2.2. Other revocable commitments		-	55,603	55,603	-	63,565	63,565
III. Derivative financial instruments	III-b-c	76,030,828	128,377,455	204,408,283	80,027,064	144,828,612	224,855,676
3. Derivative financial instruments for hedging purposes		30,820,671	18,809,394	47,628,965	27,798,633	30,827,804	58,726,437
3.1. Transactions for fair value hedge		693,621	879,614	1,573,235	671,683	840,678	1,512,361
3.1.1. Transactions for cash flow hedge		30,126,950	15,928,780	46,055,730	27,126,950	29,987,126	57,114,076
3.1.2. Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2. Trading transactions		45,210,257	111,569,061	156,779,318	52,228,431	114,001,808	166,230,239
3.2.1. Forward foreign currency buy/sell transactions		5,114,579	7,571,038	12,685,617	3,521,186	6,155,716	9,676,902
3.2.1.1. Forward foreign currency transactions-buy		1,951,558	4,266,522	6,218,080	1,061,769	3,704,251	4,765,020
3.2.1.2. Forward foreign currency transactions-sell		3,162,621	3,304,516	6,467,137	2,459,417	2,451,465	4,918,882
3.2.2. Swap transactions related to foreign currency and interest rates		27,003,999	79,460,816	107,264,815	37,584,382	88,517,703	126,102,085
3.2.2.1. Foreign currency swap-buy		7,591,762	25,190,743	32,782,505	9,181,210	36,492,766	45,643,976
3.2.2.2. Foreign currency swap-sell		17,282,237	15,383,757	32,665,994	28,423,172	17,784,757	46,207,929
3.2.2.3. Interest rate swap-buy		1,465,000	19,443,158	20,908,158	-	17,125,090	17,125,090
3.2.2.4. Interest rate swap-sell		1,465,000	19,443,158	20,908,158	-	17,125,090	17,125,090
3.2.3. Foreign currency, interest rate and securities options		6,657,550	12,139,859	18,797,409	6,717,760	8,590,741	15,308,501
3.2.3.1. Foreign currency options-buy		2,648,712	5,591,293	8,240,005	1,991,034	4,697,239	6,688,273
3.2.3.2. Foreign currency options-sell		3,788,838	4,632,260	8,421,098	3,226,726	3,515,834	6,742,560
3.2.3.3. Interest rate options-buy		110,000	958,153	1,068,153	750,000	188,834	938,834
3.2.3.4. Interest rate options-sell		110,000	958,153	1,068,153	750,000	188,834	938,834
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		5,634,129	12,397,348	18,031,477	4,405,103	10,737,648	15,142,751
B. Custody and pledges received (IV+V+VI)		454,824,227	229,080,251	683,904,478	248,463,871	68,289,180	316,753,051
IV. Items held in custody		267,579,581	158,331,867	425,911,448	82,066,158	8,101,914	90,168,072
4.1. Customer fund and portfolio balances		-	-	-	-	-	-
4.2. Investment securities held in custody		249,768,061	157,647,533	407,415,594	62,659,805	7,113,567	69,773,372
4.3. Checks received for collection		14,212,601	112,111	14,324,712	15,587,969	150,107	15,738,076
4.4. Commercial notes received for collection		3,557,144	529,952	4,087,096	3,776,609	798,048	4,574,657
4.5. Other assets received for collection		-	35,959	35,959	-	34,137	34,137
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		41,775	6,312	48,087	41,775	6,055	47,830
4.8. Custodians		-	-	-	-	-	-
V. Pledges received		183,291,293	68,443,868	251,735,161	162,367,478	57,987,609	220,355,087
5.1. Marketable securities		183,779	332	184,111	185,826	322	186,148
5.2. Guarantee notes		1,054,650	254,798	1,309,448	1,063,319	300,003	1,363,322
5.3. Commodity		27,902	5,515	33,417	21,095	12,078	33,173
5.4. Warrants		-	-	-	-	-	-
5.5. Properties		98,767,624	58,939,070	157,706,694	88,195,061	45,988,762	134,183,823
5.6. Other pledged items		83,257,338	9,238,788	92,496,126	72,902,177	11,681,250	84,583,427
5.7. Pledged items-depository		-	5,365	5,365	-	5,194	5,194
VI. Accepted independent guarantees and warranties		3,953,353	2,304,516	6,257,869	4,030,235	2,199,657	6,229,892
Total off-balance sheet commitments (A+B)		603,477,947	425,251,314	1,028,729,261	406,841,206	279,212,276	686,053,482

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

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2016 and 2015

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

III. Consolidated income statement

Income and expense items	Note (Section Five)	Current Period (01/01/2016 30/09/2016)	Prior Period (01/01/2015 30/09/2015)
I. Interest income	IV-a	14.139.384	11.791.662
1.1 Interest on loans	IV-a-1	11.563.972	9.575.640
1.2 Interest received from reserve deposits		85.939	24.569
1.3 Interest received from banks	IV-a-2	126.095	66.692
1.4 Interest received from money market transactions		10.142	32.495
1.5 Interest received from marketable securities portfolio	IV-a-3	1.839.049	1.648.284
1.5.1 Trading financial assets		4.595	8.491
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		1.301.076	1.331.265
1.5.4 Held to maturity investments		533.378	308.528
1.6 Financial lease income		374.423	317.526
1.7 Other interest income		139.764	126.456
II. Interest expense	IV-b	(8.059.993)	(6.672.573)
2.1 Interest on deposits	IV-b-4	(5.827.598)	(4.643.596)
2.2 Interest on funds borrowed	IV-b-1	(745.628)	(783.314)
2.3 Interest expense on money market transactions		(771.972)	(628.712)
2.4 Interest on securities issued	IV-b-3	(704.790)	(604.006)
2.5 Other interest expenses		(10.005)	(12.945)
III. Net interest income (I + II)		6.079.391	5.119.089
IV. Net fees and commissions income		2.235.712	2.022.296
4.1 Fees and commissions received		2.789.924	2.534.414
4.1.1 Non-cash loans		357.752	298.178
4.1.2 Other	IV-j	2.432.172	2.236.236
4.2 Fees and commissions paid		(554.212)	(512.118)
4.2.1 Non-cash loans		(8.103)	(6.639)
4.2.2 Other		(546.109)	(505.479)
V. Dividend income	IV-c	6.059	5.866
VI. Trading gain/(loss) (net)	IV-ç	150.711	(386.318)
6.1 Trading gains/(losses) on securities		28.922	169.116
6.2 Derivative financial transactions gains/(losses)	IV-d	(777.906)	1.562.098
6.3 Foreign exchange gains/(losses)		899.695	(2.117.532)
VII. Other operating income	IV-e	485.363	521.284
VIII. Total operating income / loss (III+IV+V+VI+VII)		8.957.236	7.282.217
IX. Provision for impairment of loans and other receivables (-)	IV-f	(2.066.947)	(1.952.653)
X. Other operating expenses (-)	IV-g	(3.939.837)	(3.660.867)
XI. Net operating income/(loss) (VIII-IX-X)		2.950.452	1.668.697
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		56.461	43.553
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)	IV-ğ	3.006.913	1.712.250
XVI. Tax provision for continuing operations (±)	IV-h	(644.048)	(438.596)
16.1 Current tax provision		(711.128)	(86.404)
16.2 Deferred tax provision		67.080	(352.192)
XVII. Net profit/loss from continuing operations (XV±XVI)		2.362.865	1.273.654
XVIII. Income from discontinued operations		-	-
18.1 Income from non-current assets held for resale		-	-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	-
19.1 Expenses for non-current assets held for resale		-	-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3 Other expenses from discontinued operations		-	-
XX. Profit/losses before taxes from discontinued operations (XVIII-XIX)	IV-ğ	-	-
XXI. Tax provision for discontinued operations (±)	IV-h	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII. Net profit/loss (XVII+XXII)	IV-ı	2.362.865	1.273.654
23.1 Group's profit/loss		2.362.819	1.273.613
23.2 Minority interest profit/losses (-)	IV-ı	46	41
Earnings/(loss) per share (in TL full)		0,0054	0,0029

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

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2016 and 2015

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

III. Consolidated income statement

Income and expense items	Note (Section Five)	Current Period	Prior Period
		(01/07/2016 30/09/2016)	(01/07/2015 30/09/2015)
I. Interest income	IV-a	4.858.231	4.171.695
1.1 Interest on loans	IV-a-1	3.954.778	3.473.398
1.2 Interest received from reserve deposits		27.045	13.592
1.3 Interest received from banks	IV-a-2	56.688	18.864
1.4 Interest received from money market transactions		5.869	5.533
1.5 Interest received from marketable securities portfolio	IV-a-3	639.755	493.582
1.5.1 Trading financial assets		1.111	3.776
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		361.806	386.019
1.5.4 Held to maturity investments		276.838	103.787
1.6 Financial lease income		126.585	123.626
1.7 Other interest income		47.511	43.100
II. Interest expense	IV-b	(2.641.585)	(2.380.346)
2.1 Interest on deposits	IV-b-4	(1.911.744)	(1.637.908)
2.2 Interest on funds borrowed	IV-b-1	(260.896)	(273.854)
2.3 Interest expense on money market transactions		(234.293)	(240.003)
2.4 Interest on securities issued	IV-b-3	(232.114)	(228.029)
2.5 Other interest expenses		(2.538)	(552)
III. Net interest income (I + II)		2.216.646	1.791.349
IV. Net fees and commissions income		705.537	702.540
4.1 Fees and commissions received		906.011	894.174
4.1.1 Non-cash loans		119.254	106.810
4.1.2 Other	IV-j	786.757	787.364
4.2 Fees and commissions paid		(200.474)	(191.634)
4.2.1 Non-cash loans		(3.307)	(1.902)
4.2.2 Other		(197.167)	(189.732)
V. Dividend income	IV-c	5	-
VI. Trading gain/(loss) (net)	IV-ç	50.522	(262.368)
6.1 Trading gains/(losses) on securities		(13.257)	(1.385)
6.2 Derivative financial transactions gains/(losses)	IV-d	112.390	1.580.428
6.3 Foreign exchange gains/(losses)		(48.611)	(1.841.411)
VII. Other operating income	IV-e	42.750	104.719
VIII. Total operating income / loss (III+IV+V+VI+VII)		3.015.460	2.336.240
IX. Provision for impairment of loans and other receivables (-)	IV-f	(657.842)	(650.392)
X. Other operating expenses (-)	IV-g	(1.352.359)	(1.248.631)
XI. Net operating income/(loss) (VIII-IX-X)		1.005.259	437.217
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		23.199	15.392
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)	IV-ğ	1.028.458	452.609
XVI. Tax provision for continuing operations (±)	IV-h	(217.767)	(134.892)
16.1 Current tax provision		(221.370)	99.997
16.2 Deferred tax provision		3.603	(234.889)
XVII. Net profit/loss from continuing operations (XV±XVI)		810.691	317.717
XVIII. Income from discontinued operations		-	-
18.1 Income from non-current assets held for resale		-	-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	-
19.1 Expenses for non-current assets held for resale		-	-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3 Other expenses from discontinued operations		-	-
XX. Profit /losses before taxes from discontinued operations (XVIII-XIX)	IV-ğ	-	-
XXI. Tax provision for discontinued operations (±)	IV-h	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII. Net profit/loss (XVII+XXII)	IV-ı	810.691	317.717
23.1 Group's profit/loss		810.681	317.706
23.2 Minority interest profit/losses (-)	IV-ı	10	11
Earnings/(loss) per share (in TL full)		0,0019	0,0007

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

GÜNEY EKİMLERİ SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

Maslak Mahallesi Şişli-Öğretmene Caddesi No:27
Daire:54-57-59 Kat:4 Sarıyer/İSTANBUL
Ticaret Sicil No:479920
Mersis No:08430038226000017

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2016 and 2015

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

IV. Consolidated statement of income and expense items accounted under shareholders' equity

Income and expense items accounted under shareholders' equity	Current Period (30/09/2016)	Prior Period (30/09/2015)
I. Transfers to marketable securities valuation differences from financial assets available for sale	265.173	(1.712.567)
II. Property and equipment revaluation differences	-	1.511.055
III. Intangible assets revaluation differences	-	-
IV. Currency translation differences for foreign currency transactions	122.523	324.939
V. Profit/loss on cash flow hedges (effective part of the fair value changes)	(849.064)	840.279
VI. Profit/loss on foreign net investment hedges(effective part of the fair value changes)	(67.627)	(206.421)
VII. Effects of changes in accounting policy and adjustment of errors	-	-
VIII. Other income and expense items accounted under shareholders' equity according to TAS	(99)	616
IX. Deferred tax on valuation differences	103.574	134.642
X. Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	(425.520)	892.543
XI. Current year profit/loss	2.362.865	1.273.654
11.1 Net change in fair value of marketable securities (recycled to profit-loss)	253.855	175.532
11.2 Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	(2.398)	(98.118)
11.3 Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4 Other	2.111.408	1.196.240
XII. Total income/loss accounted for the period (X+XI)	1.937.345	2.166.197

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated statement of changes in shareholders' equity as of September 30, 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. Consolidated statement of changes in shareholders' equity

Prior Period	Note (Section Five)	Paid-in capital	Adjustment to share capital	Share cancellation premium	Share profits	Legal reserves ⁽¹⁾	Status reserves	Extraordinary reserves ⁽²⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽³⁾	Marketable securities valuation difference	Intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority shareholders' Interest	Total equity
September 30, 2015		4,347,051	-	543,881	-	641,000	-	9,815,284	1,524,256	2,056,015	1,383,961	391,468	18,485	4,503	(512,661)	-	20,213,243	462	20,213,705
I. Period opening balance																			
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I-II)		4,347,051	-	543,881	-	641,000	-	9,815,284	1,524,256	2,056,015	1,383,961	391,468	18,485	4,503	(512,661)	-	20,213,243	462	20,213,705
IV. Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(1,370,237)	-	-	-	-	(1,370,237)	-	(1,370,237)
VII. Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	1,434,433	-	-	-	1,434,433	3	1,434,436
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	57,254	-	-	-	-	320,641	-	320,641
XII. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current year income or loss		-	-	-	-	-	-	-	616	1,273,613	-	-	-	-	-	-	616	-	616
XX. Profit distribution		-	-	-	-	-	-	-	-	(2,056,015)	211,049	-	-	-	-	-	1,273,613	41	1,273,654
20.1 Dividend paid		-	-	-	-	-	-	1,332,967	1,487	(2,056,015)	(400,000)	-	-	-	-	-	(400,000)	(41)	(400,041)
20.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	1,332,967	1,487	(2,056,015)	611,049	-	-	-	-	-	(400,000)	(41)	(400,041)
XXI. Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end balance (I+II+V+X+...+XVIII+XIX+XX+XXI)		4,347,051	-	543,881	-	751,512	-	11,148,251	1,828,548	1,273,613	1,595,010	(921,515)	1,452,918	4,503	(44,376)	-	21,370,396	465	21,370,861

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity as of September 30, 2016

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

V. Consolidated statement of changes in shareholders' equity

Current Period	Note (Section Five)	Paid-in capital	Adjustment to share capital	Share cancellation premium	Share profits	Legal reserves ⁽¹⁾	Status reserves	Extraordinary reserves ⁽²⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽³⁾	Marketable securities valuation difference	Intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ operations discontinued revaluation fund	Total equity except minority interest	Minority shareholders' Interest	Total shareholders' equity
September 30, 2016																			
I. Prior period-end balance	4.347.051	-	-	543.881	-	751.512	-	11.148.251	1.648.170	1.908.683	1.595.010	(284.912)	1.467.728	4.503	(43.949)	-	23.085.928	474	23.086.402
II. Changes in the period																			
III. Increase/decrease due to the merger																			
IV. Marketable securities valuation differences																			
V. Hedging transactions funds (effective portion)																			
VI. Cash flow hedge																			
4.1 Foreign net investment hedge																			
4.2 Property and equipment revaluation differences																			
V. Intangible assets revaluation differences																			
VI. Bonus shares from investments in associates, subsidiaries and joint ventures																			
VII. Foreign exchange differences																			
VIII. Changes due to the disposal of assets																			
IX. Changes due to the reclassification of assets																			
X. Effect of the changes in equity of investment in associates																			
XI. Capital increase																			
12.1 Cash increase																			
12.2 Internal resources																			
XIII. Share premium																			
XIV. Share cancellation profits																			
XV. Paid in-capital inflation adjustment difference																			
XVI. Other																			
XVII. Current year income or loss																			
XVIII. Profit distribution																			
18.1 Dividend paid																			
18.2 Transfers to reserves																			
18.3 Other																			
XIX. Transactions with minority																			
Period end balance (I+II+III+...+XVIII+XVII+XIX)	4.347.051	-	-	543.881	-	844.539	-	12.913.149	1.761.157	2.362.819	1.640.254	(84.896)	1.468.469	4.561	(777.757)	-	25.023.227	483	25.023.710

(1) Total legal reserves and extraordinary reserves of the consolidated entities except Parent Bank's legal reserves and extraordinary reserves have been presented under prior period net income/ (loss).

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

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of September 30, 2016 and 2015

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

VI. Consolidated statement of cash flows

	Note (Section Five)	Current Period (30/09/2016)	Prior Period (30/09/2015)
A. Cash flows from banking operations			
1.1 Operating profit before changes in operating assets and liabilities		4.028.114	114.629
1.1.1 Interest received		13.193.687	11.418.913
1.1.2 Interest paid		(7.856.427)	(6.415.504)
1.1.3 Dividend received		6.059	5.866
1.1.4 Fees and commissions received		2.789.924	2.534.414
1.1.5 Other income		313.455	1.225.649
1.1.6 Collections from previously written-off loans and other receivables		782.077	877.812
1.1.7 Payments to personnel and service suppliers		(3.246.638)	(3.801.881)
1.1.8 Taxes paid		(861.823)	(399.031)
1.1.9 Other		(1.092.200)	(5.331.609)
1.2 Changes in operating assets and liabilities		(5.709.053)	8.380.074
1.2.1 Net (increase)/decrease in trading securities		11.155	(39.169)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(1.235.708)	(5.036.303)
1.2.4 Net (increase)/decrease in loans		(11.880.360)	(30.367.907)
1.2.5 Net (increase)/decrease in other assets		(1.637.934)	(1.701.110)
1.2.6 Net increase /(decrease) in bank deposits		(1.219.617)	1.374.999
1.2.7 Net increase /(decrease) in other deposits		9.586.290	27.185.665
1.2.8 Net increase /(decrease) in funds borrowed		(161.891)	14.200.996
1.2.9 Net increase /(decrease) in payables		-	-
1.2.10 Net increase /(decrease) in other liabilities		829.012	2.762.903
I. Net cash flows from banking operations		(1.680.939)	8.494.703
B. Cash flows from investing activities			
II. Net cash flows from investing activities		5.746.525	(6.612.497)
2.1 Cash paid for acquisition of investments in associates subsidiaries and joint ventures		-	(5.000)
2.2 Cash obtained from disposal of investments in associates subsidiaries and joint ventures		-	-
2.3 Purchases of property and equipment		(267.562)	(673.588)
2.4 Disposals of property and equipment		55.489	37.934
2.5 Purchase of investments available-for-sale		(9.997.140)	(21.112.273)
2.6 Sale of investments available-for-sale		16.443.166	15.301.939
2.7 Purchase of investment securities		(533.294)	(382.834)
2.8 Sale of investment securities		45.866	221.325
2.9 Other		-	-
C. Cash flows from financing activities			
III. Net cash flows from financing activities		(269.068)	2.286.849
3.1 Cash obtained from funds borrowed and securities issued		8.707.650	6.862.190
3.2 Cash used for repayment of funds borrowed and securities issued		(8.976.681)	(4.175.300)
3.3 Issued capital instruments		-	-
3.4 Dividends paid		(37)	(400.041)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents		231.023	1.748.979
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		4.027.541	5.918.034
VI. Cash and cash equivalents at beginning of the period		10.082.660	11.026.696
VII. Cash and cash equivalents at end of the period	VI	14.110.201	16.944.730

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

GÜNEY BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.
Mevlâk Mahallesi, 2. Kat, Büyükdere Caddesi No:27
Daire:54-37-55 K:2-3-4 Sarıyer/İSTANBUL
Ticaret Sicil No:479920
Mersis No:0-4350-2822-6000017

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Section Three

Accounting policies

I. Explanations on basis of presentation:

The Parent Bank maintains its books of accounts in Turkish Lira in accordance with the Banking Act No. 5411 ("Banking Act"), which is effective from November 1, 2005, the Turkish Commercial Code ("TCC") and Turkish Tax Legislation.

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

The financial statements of subsidiaries operating abroad have been prepared in accordance with legislations and regulations of the country in which they are operating, however in order to provide fair presentation according to TAS, necessary adjustments and reclassifications are reflected to those financial statements.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis (restated for the changes in the general purchasing power of TL until December 31, 2004), except for financial assets and liabilities at fair value through profit or loss, financial assets available for sale, trading derivative financial liabilities, hedging derivative financial assets/liabilities, art objects, paintings and buildings in tangible assets. Besides, the carrying values of assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain accounting estimates by the Group management to exercise its judgment on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended December 31, 2015, except for changes on accounting policies from historical cost basis to revaluation basis for buildings in tangible assets.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Accounting policies (continued)

The effects of TFRS 9, "Financial Instruments" (2011 version, classification and measurement) which has not been implemented yet, are under evaluation by the Group. The standard which the Group did not early adopt will primarily have an effect on the classification and measurement of the Group's financial assets. The Group is currently assessing the impact of adopting TFRS 9. However, as the impact of adoption depends on the assets held by the Group at the date of adoption itself, it is not practical or possible to quantify the effect at this stage. As of the date of these financial statements, the other TAS/TFRS standards announced but not yet effective are not expected to have significant impact on the Group's accounting policies, financial position and performance.

Additional paragraph for convenience translation into English:

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

II. Explanations on strategy of using financial instruments and foreign currency transactions:

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

Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank exchange rates prevailing at the balance sheet date gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for valuation differences arising from foreign currency participations, subsidiaries and foreign currency non-performing loans. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings. The effective portion of the foreign exchange difference of these financial liabilities is recognised in "Hedging funds" in equity.

The Group, classifies its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Accounting policies (continued)

III. Information on consolidation principles:

a. Consolidation principles applied:

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated November 8, 2006 and the "Turkish Accounting Standard for Consolidated Financial Statements" ("TFRS 10").

1. Consolidation principles of subsidiaries:

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated with full consolidation method by considering the results of their activities and the size of their assets and shareholders' equity. Financial statements of the related subsidiaries are included in the consolidated financial statements from the date control is transferred to the Group and they are taken out of consolidation scope when control no longer exists. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the entities included in consolidation have been eliminated. In the consolidated balance sheet and income statement, minority interest has been presented separately from the shares of the Group shareholders.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Accounting policies (continued)

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Incorporation (City/ Country)	Main activities	Effective rates (%) September 30, 2016	Direct and indirect rates (%) September 30, 2016
Yapı Kredi Leasing	Istanbul/Turkey	Leasing	99,99	99,99
Yapı Kredi Faktoring	Istanbul/Turkey	Factoring	99,96	99,96
Yapı Kredi Menkul	Istanbul/Turkey	Investment Management	99,98	99,98
Yapı Kredi Portföy	Istanbul/Turkey	Portfolio Management	99,95	99,97
Yapı Kredi Holding B.V.	Amsterdam/Netherlands	Financial Holding	100,00	100,00
Yapı Kredi Bank N.V.	Amsterdam/Netherlands	Banking	100,00	100,00
Yapı Kredi Bank Moscow	Moscow/Russia	Banking	100,00	100,00
Yapı Kredi Azerbaijan	Baku /Azerbaijan	Banking	100,00	100,00
Stichting Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Invest LLC	Baku/Azerbaijan	Portfolio Management	100,00	100,00
Yapı Kredi Malta	St.Julian/Malta	Banking	100,00	100,00
Yapı Kredi Diversified Payment Rights Finance Company ⁽¹⁾	George Town/ Cayman Islands	Special Purpose Company	-	-

(1) It is a special purpose entity established for securitization transactions and is included in the consolidation although it is not a subsidiary of the Parent Bank.

2. Consolidation principles of associates:

The associates are entities in which the Parent Bank participates in their capital and has significant influence on them, although the Parent Bank has no capital or management control, is established in domestic and abroad. The related associates are consolidated with equity method.

Significant influence refers to the participation power on the constitution of the financial and management policies of the participated associate.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in an associate from the changes in the participated associate's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The associates included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % September 30, 2016	Direct and indirect rates % September 30, 2016
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	20,00	20,00

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

Accounting policies (continued)

3. Consolidation principles of joint ventures:

The joint venture is an entity in which the Parent Bank participates in its capital and has joint control and whose main operation is real estate investment trust ("REIT") and operates according to special legislation with permission and license and is established in Turkey. The related joint venture is consolidated with equity method in accordance with materiality principle.

Equity method is an accounting method which foresees the increase or decrease of the book value of capital share in a joint venture from the changes in the participated joint venture's shareholders' equity during the period attributable to the portion of the investor and the deduction of the dividend received from the associate from the revised value of the associate amount.

The joint venture included in consolidation, its title, its place of incorporation, main activities and effective shareholding rates are as follows:

Title	(City/ Country)	Main activities	Effective rates % September 30, 2016	Direct and indirect rates % September 30, 2016
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	REIT	30,45	30,45

4. Transactions with minority shareholders:

The Group applies a policy of treating transactions with minority interests as transactions within the Group. The difference between the acquisition cost and net asset acquired is recognised under equity. Disposals from minority interests are also considered as equity transactions and result in changes in the equity of the Group.

b. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements:

Turkish Lira denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at cost value, less any impairment, in accordance with "Turkish Accounting Standards for Individual Financial Statements" ("TAS 27") in the consolidated financial statements.

Foreign currency denominated investments in unconsolidated associates, subsidiaries and joint ventures are accounted at their original foreign currency costs translated into Turkish Lira using the exchange rates prevailing at the transaction date less impairment, if any.

When the cost of associates, subsidiaries and joint ventures is higher than the net realizable value, the carrying amount is reduced to the net realizable or fair value considering whether the value decrease is temporary or permanent and the ratio of the value decrease.

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Accounting policies (continued)

IV. Explanations on forward and options contracts and derivative instruments:

The Group's derivative transactions mostly include foreign currency money and interest rate swaps, forward foreign exchange purchase and sale transactions and options.

Derivative instruments are measured at fair value on initial recognition and subsequently re-measured at their fair values. As a result, the fair value of derivatives is reflected as net liability or net asset on a contract by contract basis. The accounting method of the income or loss arising from derivative instruments depends on whether the derivative is being used for hedging purposes or not and depends on the type of item being hedged.

At the transaction date, the Group documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Group regularly documents the effectiveness of the hedging instruments in offsetting the changes in the fair value of the hedged items.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in "Derivative Financial Transactions Gains/Losses" account. In the balance sheet, changes in the fair value of hedged assets and liabilities, during the period in which the hedge is effective, are shown with the related assets and liabilities. The ineffective portion of the mentioned hedging transactions is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or the recognition of the hedged item.

The Parent Bank hedges its cash flow risk arising from foreign currency and Turkish Lira floating interest rate liabilities by using interest rate swaps. The effective portion of the fair value changes of the hedging instruments are recorded in "Hedging funds" under shareholders' equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items (interest expense) impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, or due to the results of the effectiveness test the amounts accounted under shareholders' equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized (considering the original maturity of the hedging instrument).

Some of the trading purpose derivative transactions, even though they provide effective economic hedges under the Group's risk management policy, do not qualify for hedge accounting under the specific rules in "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")" and are therefore treated as "financial instruments at fair value through profit or loss".

"Financial instruments 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 "derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "derivative financial liabilities held for trading". Fair value changes are recorded under "Derivative Financial Transactions Gains/ (Losses)" in the income statement.

The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

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Accounting policies (continued)

Parameters used for the valuation of the option portfolio of the Parent Bank are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts as their contractual values. Embedded derivatives are separated from the host contract and accounted as derivative instruments according to TAS 39; in case, (i) the related embedded derivative's economic features and risks are not closely related to the host contract, (ii) another instrument that has the same contract conditions with the embedded derivative satisfies the definition of a derivative instrument and (iii) the hybrid instrument is not carried at fair value through profit or loss.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another.

As of September 30, 2016, the Parent Bank's credit derivatives portfolio included in the off-balance sheet accounts is composed of credit linked notes (embedded derivatives are separated from host contract in line with TAS 39 and recorded as credit default swaps) total return swaps and credit default swaps.

Credit linked notes are bonds that have repayments depending on a credit event or the credit risk evaluation of a reference asset or asset pool. Depending on whether the reference assets are included in the balance sheet of the issuer or the owner of the assets, these transactions can be accounted by the party assuming the credit risk as insurance or as an embedded derivative. As per the Bank's management evaluation, the embedded derivatives included in the credit linked notes are separated from the host contracts in accordance with TAS 39 and recorded and evaluated as credit default swaps. The bond itself (host contract) is valued in accordance with the valuation principles of the category it is classified. Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract.

Credit default swaps are contracts, in which the seller commits to pay the contract value to the buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily by the valuation model of the Parent Bank and then accounted over their fair values; while credit linked notes are valued and accounted monthly.

Total return swaps are contracts, in which the seller commits to pay the contract value for all cash flows of the reference assets of the seller and the changes of the market values of these reference assets to the buyer during the contract maturity and bear all the decreases in the market value of the these reference assets. The Parent Bank uses the total return swaps to generate long term funding.

Market risks of these products are monitored using the Parent Bank's internal modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, those currency exchange transactions realized at value date in the initial phase of currency swaps are recorded and followed as irrevocable commitments in off-balance sheet accounts until the value date.

A Credit Valuation Adjustment ("CVA") is applied to the Bank's over-the-counter derivative exposures to take into account the counterparty's risk of default when measuring the fair value of the derivative. CVA is the mark-to-market cost of protection required to hedge credit risk from counterparties in the Bank's over-the-counter derivatives portfolio. The Bank calculates CVA based on collective provisioning methodology calculated in accordance with international financial reporting standards, TAS 39, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counter party.

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

Accounting policies (continued)

V. Explanations on interest income and expense:

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

VI. Explanations on fee and commission income and expenses:

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realization.

VII. Explanations on financial assets:

The Group classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Group management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Group. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

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

Financial assets, which are classified as "Financial assets at fair value through profit or loss", are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized 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 designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of this section.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Accounting policies (continued)

b. Held-to-maturity financial assets:

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognized at total of acquisition and transaction cost. Held-to-maturity securities are carried at "Amortized cost" using the "Effective interest method" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts.

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. In accordance with TAS 39, sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

c. Loans and receivables:

Loans and receivables are financial assets raised through lending without having the intention to trade in the short term. Loans and receivables are non derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted on active market. Loans and receivables are recognized initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortized cost using the "effective interest method". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

Retail, commercial and corporate loans included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ("UCA"). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates and the valuation differences is accounted for in foreign exchange gain/loss accounts.

The Parent 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" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and the Parent Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

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

Accounting policies (continued)

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "Other operating income". Uncollectible receivables are written-off after all the legal procedures are finalized.

d. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial assets at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices can not be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted on a market and the fair values of which can not be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Trading gains/(losses) on securities" according to the UCA.

VIII. Explanations on impairment of financial assets:

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided based on the financial assets classification.

Impairment for held to maturity financial assets carried at amortized cost is calculated as the difference between the expected future cash flows discounted at the effective interest rate method and the carrying value. The impairment amount transferred from shareholders' equity to profit or loss for available for sale securities is calculated as the difference between the purchase cost (after deduction of principal repayments and redemption) and the fair value less any impairment that was previously recorded in profit or loss. This amount is recorded in expense accounts in accordance with the UCA.

The principles for the accounting of provisions for loans and receivables are explained in Note VII. of this section.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Accounting policies (continued)

IX. Explanations on offsetting financial assets:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the 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.

X. Explanations on sales and repurchase agreements and securities lending transactions:

Securities subject to repurchase agreements ("Repos") are classified as "At fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds provided under repurchase agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "Effective interest method". Interest expense on repo transactions are recorded under "Interest expense on money market transactions" in the income statement.

Funds given against securities purchased under agreements to resell ("reverse repo") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The Group has no securities lending transactions.

XI. Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets:

According to the TFRS 5, a tangible asset (or a group of assets to be disposed) classified as "Asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as "Asset held for resale" only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables 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 November 1, 2006, No. 26333 and classified as assets held for resale.

A discontinued operation is a part of the Group's business classified as sold or held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

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Accounting policies (continued)

XII. Explanations on goodwill and other intangible assets:

a. Goodwill:

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

In line with "Turkish Financial Reporting Standard for Business Combinations" ("TFRS 3"), the goodwill is not subject to amortisation but is tested annually or more frequently for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36").

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 amortisation and the provision for impairment.

The Group evaluates the possibility of existence of impairment of intangible assets at the end of each reporting period. If there is an evidence of impairment, the Group estimates a recoverable amount in accordance with the Turkish Accounting Standard (TAS 36) "Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

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 utilise the economic benefit from the asset. The rates used are presented below:

Credit card brand value, deposit base and customer portfolio	10%
Other intangible assets	20%

Yapı ve Kredi Bankası A.Ş.

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Accounting policies (continued)

XIII. Explanations on property and equipment:

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement in accordance with the Turkish Accounting Standard (TAS 16) "Tangible Assets". Subsequently, properties and equipments, except art objects, paintings and buildings, are carried at cost less accumulated depreciation and provision for impairment.

The Group adopted fair value accounting method for its buildings since March 31, 2015 in tangible assets in accordance with TAS 16.

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

Buildings	2-4%
Movables, movables acquired under financial leasing	20%

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

In accordance with the Turkish Accounting Standard (TAS 36) "Impairment of Assets", 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 impairment 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 proceeds.

Expenditures for the repair and maintenance 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:

The Group performs financial and operational leasing in the capacity of the lessee and lessor.

a. Accounting of leasing operations according to lessee:

Financial lease

The Group includes the lower of the market value of the fixed asset subject to financial leasing in the beginning of the financial leasing period or present value of the lease payments in property and equipment and records the liabilities arising from financial leasing in liabilities. Financing costs arising due to leasing are spread through the lease period forming a fixed interest rate. In addition, fixed assets that are obtained by the way of financial leasing are subject to depreciation based on their useful lives. If a decrease in the value of fixed assets that are subject to financial leasing is noticed, impairment provision is recognised. The liabilities arising from financial leasing contracts are accounted under "financial lease payables". Expenses arising from interest and exchange rate changes related to financial leasing liabilities are charged to the income statement. Lease payments are deducted from financial leasing payables.

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Accounting policies (continued)

Operational lease

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases are accounted in income statements on a straight line basis during the lease period.

b. Accounting of leasing operations according to lessor:

Assets that are subject to financial leasing are reflected as a receivable equal to the net leasing amount in the consolidated financial statements. Interest income is earned to form a fixed periodical interest rate on net investment amount of the related leased asset by the lessor and the portion relating to subsequent periods is followed in the unearned interest income account.

Allowances for impairment of lease receivables

The lease receivables provision for the impairment of investments in direct finance leases is established based on a credit review of the receivables portfolio. The Group has set this provision in accordance with the Communiqué of BRSA named "The Procedures Regarding the Provisions to Be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" ("Provisions Communiqué") which was published in the Official Gazette dated December 24, 2013, numbered 28861. According to the Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized lease receivables for which related collections are delayed between 150 and 240 days, minimum 50% for collateralized lease receivables for which related collections are delayed between 240 and 360 day and 100% for collateralized lease receivables for which related collections are delayed more than 1 year.

In accordance with the related Communiqué of Provision, the Group also recognizes specific provision even if the overdue days are less than the days stated above or receivables are not over due at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

In the Communiqué of Provisions, it is stated that although it is not mandatory, a general provision which is not related to a specific transaction can be recognised for the losses arising from the principal or interest of lease receivables that are not overdue or overdue less than 150 days but the amount of loss is not certain. In accordance with the Communiqué of Provisions, the Group sets a general provision for the lease receivables that have not been considered as doubtful yet.

Finance lease receivables and accounts receivables that cannot be recovered are written off and charged against the allowance for the impairment of lease and accounts receivables. Such receivables are written off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from the provision for the impairment of the lease receivable and are recognized as income.

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Notes to consolidated financial statements as of September 30, 2016

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Accounting policies (continued)

XV. Explanations on provisions and contingent assets and liabilities:

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 Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for contingent liabilities arisen from past events are recognised in the period of occurrence in accordance with the "Matching principle". A provision is recognised when it is probable that the contingent event will occur and a reliable estimate can be made. When a reliable estimate of the amount of obligation cannot be made, or it is not probable that an outflow of resources will be required to settle the obligation, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

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

XVI. Explanations on obligations related to employee rights:

a. Employee termination benefits

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

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions. Actuarial gains and losses generated after January 1, 2013, are accounted for under equity in accordance with the revised TAS 19 standard.

b. Pension rights

The Parent Bank's personnel are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation Regarding the Actuaries" by a registered independent actuary.

Temporary article 23th paragraph 1 of the Banking Act published in the Official Gazette No 25983 dated November 1, 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the publication date of the article.

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Accounting policies (continued)

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on November 2, 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated March 22, 2007) published in the Official Gazette No. 26479 dated March 31, 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated December 15, 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on April 17, 2008. The New Law was published in the Official Gazette No. 26870 dated May 8, 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated April 9, 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated March 8, 2012, Council of Ministers was authorized to increase the two-year extension period mentioned above to four years. According to the decision of The Council of Ministers dated February 24, 2014, the transfer date is set as May 2015. The Council of Ministers was authorized to determine the transfer date of pension funds in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated April 23, 2015 and numbered 29335.

A commission (whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("SDIF"), one member representing the Fund and one member representing the Fund members) is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Parent Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

c. Defined contribution plans:

The Bank is required to pay certain contributions to the Social Security Institution on behalf of their employees. Other than these payments, the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

d. Short term benefits of employee:

Within the scope of TAS 19, the Group measures the expected costs of accumulated paid leaves as expected payments it will make due to unused leave rights as at the end of the reporting date.

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Accounting policies (continued)

XVII. Explanations on taxation:

a. Current tax:

The Corporate Tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. This tax rate is applied to accounting income modified for certain exemptions and deductions, and additions for certain non-tax deductible expenses and allowances for tax purposes. No further tax is payable unless the profit is distributed.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

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 no withholding tax incurs in such a case.

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 for the current period is credited against the annual corporation tax calculated on the 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.

Under the Turkish Corporate Tax Law, effective from April 24, 2003, investment allowances had provided a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand new fixed assets having economic useful life and exceeding TL 10 and directly related with the production of goods and services and investment allowance that arose prior to April 24, 2003 had been taxed at 19,8% (withholding tax) unless they had been converted to new type at companies' will. Effective from January 1, 2006, Turkish government had ceased to offer investment incentives for capital investments and companies having unused qualifying capital investment amounts as of June 30, 2006 would be able to deduct such amounts from corporate income for the following years.

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Accounting policies (continued)

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 and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this 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.

Tax rates that are used in tax calculations before the exemptions by foreign subsidiaries by taking current tax regulations in their countries into consideration as of September 30, 2016 are as follows:

Netherlands	25,00%
Russia	20,00%
Azerbaijan	20,00%
Malta	35,00%

b. Deferred tax:

The Group calculates and accounts for deferred income taxes for 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 in accordance with BRSA's explanations and circulars and the tax legislation, the Group calculates deferred tax on deductible temporary differences except for general loan loss provisions, to the extent that future taxable income is estimated to be available. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities of subsidiaries subject to consolidation have been netted of in their standalone financial statements in accordance with TAS 12. The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

Tax effects of the transactions that are directly accounted under equity are also reflected to equity.

Additionally, in accordance with the related legislation of BRSA, deferred tax effect, if income, is not eligible for dividend distribution and share capital increase.

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Accounting policies (continued)

c. Transfer pricing:

The article no.13 of the Corporate Tax Law No.5520 describes the issue of transfer pricing under the title of "Disguised profit distribution" by way of transfer pricing (previously included as "Disguised profit" in the Corporate Tax Law No.5422). "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at November 18, 2007/26704, explains the application related issues on this topic effective from January 1, 2007, also taking into account the regulations in Article 41 of the Income Tax Law.

"Arm's length principle", which is the basis for the transfer pricing rule, is the pricing system to be followed for purchase or sale activities between related parties for any product or service transactions as if the transaction is realized with any other third party. According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As discussed in the relevant section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XVIII. Explanations on borrowings:

The financial liabilities classified at fair value through profit/loss, trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" including costs of transactions using the "effective interest method".

The Group, classified its part of the financial debts as fair value through profit / loss on financial liabilities in order to eliminate the accounting mismatch at the initial recognition. The interest expenses paid and the differences between the amortised cost and the acquisition cost of the related debt instruments during the time held in the portfolio are accounted in the interest expense; the differences between the fair value and amortised cost of the related debt instruments are presented as trading gain and losses in the accompanying profit and loss statement.

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

Also, the Group obtains funds by issuing bonds and bills.

XIX. Explanations on issuance of share certificates:

When shares are issued above their nominal value, the excess over the nominal value is accounted under shareholders' equity as "Share premium".

No dividend payments of the Parent Bank were announced after the balance sheet date.

XX. Explanations on avalized drafts and letter of acceptances:

Avalized drafts and acceptances are included in the "off-balance sheet commitments".

XXI. Explanations on government grants:

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Group received government grant from TÜBİTAK amounting to TL 1.451 (December 31, 2015 - TL 1.592).

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Notes to consolidated financial statements as of September 30, 2016

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Accounting policies (continued)

XXII. 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. Legal reserves consist of first and second reserves as foreseen in the TCC. The TCC specifies that the first legal reserve is appropriated at the rate of 5% until the total reserve is equal to 20% of paid-in capital and that the second legal reserve is appropriated at the rate of 10% of distributions in excess of 5% of paid-in capital; however holding companies are not subject to this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate for accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

XXIII. 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.

	Current Period	Prior Period
Net Income/(loss) to be appropriated to ordinary shareholders	2.362.819	1.273.613
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	0,0054	0,0029

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. These bonus shares are treated as issued shares in earnings per share computations. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year is adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

No bonus shares were issued during 2016 (2015 - no bonus shares were issued).

XXIV. Related parties:

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post-employment benefits are considered and referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Note VIII. of Section Five.

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Notes to consolidated financial statements as of September 30, 2016

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Accounting policies (continued)

XXV. Explanations on operating segments:

Information about operating segments which are determined in line with "Turkish Financial Reporting Standard about Operating Segments" ("TFRS 8") together with organizational and internal reporting structure of the Bank, are disclosed in Note XIII of Section Four.

XXVI. Explanations on other matters:

None

XXVII. Legal mergers under common control:

As in TFRS 3 or in another standard in TFRS there is an absence of treatment that specifically applies to business combinations involving entities under common control, by examining the practices included in the generally accepted global accounting standards the Group decided to apply an accounting policy in parallel with the "pooling of interests" method in view of its judgement that the economic substance of the relevant transaction will be most reliably and accurately reflected in this manner. In the accounting of business combinations which occur under common control, assets and liabilities, subject to business combinations, are accounted for in the consolidated financial statements at their carrying values. Income statements are consolidated as of the beginning of the financial year in which the business combinations occurred. Financial statements belonging to previous periods also are adjusted in the same way in order to ensure the comparability. As a result of those transactions, any goodwill or negative goodwill is not calculated. The difference between the investment amount and the share in capital in the acquired company is directly accounted under equity as "the effect of legal mergers under common control".

POA has issued a policy decision in July, 2013 regarding "Accounting for business combinations Subject to Joint Control Group" which is effective for annual periods beginning on December 31, 2012. Based on this decision, i) rights in business combinations under common control combinations should be accounted for by the method of pooling of interest, ii) due to that goodwill should be included in the financial statements, iii) while pooling of interest method is applied, at the beginning of the reporting period where the common control occurs, corrections should be made in the financial statements as if the combination has been completed and this common control should be represented comparatively. The accounting policy applied by the group is consistent with the decision of principle.

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Section four

Information related to financial position of the Group

I. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standart ratio are performed in accordance with the communiques such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and "Regulation Regarding Banks' Shareholders' Equity".

The consolidated capital adequacy ratio of the Group is 13,92% (December 31, 2015 – 12,91%) and the Parent Bank is 14,99% (December 31, 2015 – 13,81%).

a. Information on consolidated own funds:

	Amounts subject to treatment	
	Current Period	before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	4.347.051	
Share issue premiums	543.881	
Retained earnings	14.320.143	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	2.670.197	
Profit	4.003.073	
Net profit of the period	2.362.819	
Profit of the previous years	1.640.254	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	4.561	
Minority interest	483	
Common Equity Tier 1 capital before regulatory adjustments	25.889.389	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	30.382	
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	453.938	
Improvement costs for operating leasing	116.947	
Goodwill (net of related tax liability)	587.696	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	307.890	513.151
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Cash-flow hedge reserve	-	
Shortfall of provisions to expected losses	-	
Securitisation gain on sale	-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Investments in own shares	-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage servicing rights (amount above 10% threshold)	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-	
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	612.366	
The amount above threshold for mortgage servicing rights	-	
The amount above threshold for deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments which shall be determined by the BRSA	-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
Total regulatory adjustments to Common equity Tier 1	2.109.219	
Common Equity Tier 1 capital (CET1)	23.780.170	

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Information related to financial position of the Group (continued)

	Amounts subject to treatment
Current Period before 1/1/2014 ⁽¹⁾	
ADDITIONAL TIER 1 CAPITAL	
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Shares of Third Parties in Additional Tier 1 Capital	-
Shares of Third Parties in Additional Tier 1 Capital (Covered by Temporary Article 3)	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	-
Investments in own Additional Tier 1 instruments	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
National specific regulatory adjustments which shall be determined by the BRSA	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	
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 (-)	597.058
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 (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
Total regulatory adjustments to Additional Tier 1 capital	-
Total Additional Tier 1 capital	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	23.183.112
TIER 2 CAPITAL	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	4.658.625
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	1.066.560
Shares of Third Parties in Additional Tier 1 Capital	-
Shares of Third Parties in Additional Tier 1 Capital (Covered by Temporary Article 3)	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.615.010
Tier 2 capital before regulatory adjustments	8.340.195
Tier 2 capital: regulatory adjustments	
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	99.779
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-
National specific regulatory adjustments which shall be determined by the BRSA	-
Total regulatory adjustments to Tier 2 capital	99.779
Total Tier 2 capital	8.240.416
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	31.275.026
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	6.587
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	11.547
National specific regulatory adjustments which shall be determined by the BRSA	130.368

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Information related to financial position of the Group (continued)

Regulatory Adjustments which will be deducted from Total Capital during the transition period	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) 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 (-)	-
Significant 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, net of eligible short positions (amount above 10% threshold) 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 (-)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) 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 (-)	-
OWN FUNDS	Current Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	31.275.026
Total Risk Weighted Assets	224.611.999
CAPITAL ADEQUACY RATIOS	
Consolidated Common Equity Tier 1 Capital Adequacy Ratio (%)	10,59
Consolidated Tier 1 Capital Adequacy Ratio (%)	10,32
Consolidated Capital Adequacy Ratio (%)	13,92
BUFFERS	
Institution specific buffer requirement of the Bank	5,510
Capital conservation buffer requirement (%)	0,625
Bank's specific countercyclical buffer requirement (%)	0,010
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 (%)	4,587
Amounts below the thresholds for deduction (before risk weighting)	
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	944.847
Applicable caps on the inclusion of provisions in Tier 2 capital	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.929.078
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.615.010
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	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

(1) The specified amounts are the figures calculated for the items subject to the phasing.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Information related to financial position of the Group (continued)

	Prior Period
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	4.347.051
Share Premium	543.881
Share Cancellation Profits	-
Legal Reserves	12.357.721
Other Comprehensive Income according to TAS	2.657.940
Profit	3.503.693
Net Current Period Profit	1.908.683
Prior Period Profit	1.595.010
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	4.503
Minority shares	474
Common Equity Tier 1 capital before regulatory adjustments	23.415.263
Common Equity Tier 1 capital: regulatory adjustments	
Current and prior periods' losses not covered by reserves, and losses accounted under equity according to TAS (-)	596.826
Leasehold improvements on operational leases (-)	147.518
Goodwill and intangible assets and related deferred tax liabilities (-)	591.560
Net deferred tax assets / liabilities (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be defined by the regulator (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	566.076
Total regulatory adjustments to Common equity Tier 1	1.901.980
Common Equity Tier 1 capital	21.513.283

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Information related to financial position of the Group (continued)

	Prior Period
Additional Tier 1 capital: instruments	
Privileged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Minority shares	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	-
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 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 Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the regulator (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-
Total regulatory adjustments to Additional Tier 1 capital	-
Additional Tier 1 capital	-
Regulatory adjustments to Common Equity	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	887.339
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Tier 1 capital	20.625.944
Tier 2 capital	
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained before 1.1.2014)	5.213.047
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-
Generic Provisions	2.511.452
Minority shares	-
Tier 2 capital before regulatory adjustments	7.724.499
Tier 2 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 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 Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the regulator (-)	-
Total regulatory adjustments to Tier 2 capital	-
Tier 2 capital	7.724.499

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Information related to financial position of the Group (continued)

	Prior Period
Total capital	28.350.443
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	6.808
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 (-)	11.345
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	149.667
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the regulator (-)	280.437
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
Shareholders's equity	27.902.186
Amounts below the thresholds for deduction	1.003.593
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	-
Remaining total of net long positions of the investments in Tier I capital of Consolidated banks and Financial Institutions where the Bank owns more than 10% Or Less of the Tier I Capital	-
Remaining mortgage servicing rights	-
Net deferred tax assets arising from temporary differences	1.003.593

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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

Information related to financial position of the Group (continued)

b. Details on Subordinated Liabilities⁽¹⁾:

1		2		3		4	
Issuer	UNICREDIT BANK	UNICREDIT BANK	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440 / US98484B873	XS0861979440 / US98484B873	XS0861979440 / US98484B873	XS0861979440 / US98484B873	XS0861979440 / US98484B873
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law
Regulatory treatment							
Transitional Basel III rules	No	No	Yes	Yes	No	No	No
Eligible at stand-alone / consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Bond	Bond	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil. as of most recent reporting date)	1.753	1.408	1.067	1.498	1.498	1.498	1.498
Par value of instrument	1.753	1.408	1.753	2.996	1.498	1.498	1.498
Accounting classification	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	December 6, 2012	March 1, 2016	March 1, 2016	March 1, 2016
Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year
Coupons / dividends							
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	6,55%	5,5%	5,5%	8,63%	8,63%	8,63%
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Fully discretionary, partially discretionary or mandatory	-	-	-	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Mandatory	Mandatory	Mandatory
Convertible or non-convertible							
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							
If write-down, write-down trigger(s)	-	-	-	-	-	-	-
If write-down, full or partial	-	-	-	-	-	-	-
If write-down, permanent or temporary	-	-	-	-	-	-	-
Temporary write-down, description of write-up mechanism	-	-	-	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	Yes	Yes	No	No	No
Details of incompliance with article number 7 and 8 of "Own fund regulation"	-	-	8-2-g	8-2-g	-	-	-

(1) The Bank has repaid its subordinated loan at June 30, 2016 that was extended by Citibank, N.A., London Branch in the amount of 200 million Euro on June 25, 2007.

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Information related to financial position of the Group (continued)

c. There are differences between the figures in the consolidated own funds and their corresponding amounts in the balance sheet. Within this context; in the calculation of own funds, general provision up to %1,25 credit risk is taken into consideration as Tier II Capital, the losses that are related to cash flow hedge transactions are not considered in the own funds and the prudential valuation adjustments calculated in accordance with the (i) item of the first paragraph in the ninth article of the "Regulation Regarding Banks' Shareholders' Equity" are considered in the own funds. In addition, the subordinated liabilities are considered after the adjustments made in accordance with the ninth paragraph of the eighth article and in the provisional fourth article of the "Regulation Regarding Banks' Shareholders' Equity".

II. Explanations on consolidated credit risk:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

III. Explanations on countercyclical buffer:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

IV. Explanations on consolidated currency risk:

The difference between the Group's foreign currency denominated and foreign currency indexed on- and off-balance sheet assets and liabilities is defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Cross currency risk is also taken into consideration for the currency risk calculations and measurements.

The Group keeps the amount of currency risk exposure within the related legal limits and follows the exchange position on a daily/regular basis. In addition, although the internal exchange position limit is lower when compared to the related legal limit, there has not been any limit exceeding during the period. As an instrument of currency risk management, derivatives such as swap and forwards are used to reduce risk whenever needed. In order to guard against extreme volatility during the year stress tests are applied. Value at risk method is used for the measurement of foreign exchange risk.

The details of hedging of the foreign currency debt instruments and net foreign currency investment risk with derivative instruments are disclosed in section four Note XI.

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

(Exchange rates presented as full TL)

	USD	EUR
Balance sheet evaluation rate:	TL 2,99590	TL 3,36080
1.Current bid rate on the first date	TL 2,97640	TL 3,33620
2.Current bid rate on the second date	TL 2,97090	TL 3,34010
3.Current bid rate on the third date	TL 2,98460	TL 3,35460
4.Current bid rate on the fourth date	TL 2,94740	TL 3,30440
5.Current bid rate on the fifth date	TL 2,94680	TL 3,31000
Arithmetic average of the last 30 days:	TL 2,95869	TL 3,31902
Balance sheet evaluation rate as of		
Prior Period:	TL 2,90760	TL 3,17760

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Notes to consolidated financial statements as of September 30, 2016

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

Information related to financial position of the Group (continued)

Information on currency risk of the Group:

	EUR	USD	Other FC ⁽⁴⁾	Total
Current period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	4.411.321	13.530.687	4.915.530	22.857.538
Banks	1.528.261	848.593	93.124	2.469.978
Financial assets at fair value through profit or loss	142.639	350.849	687	494.175
Money market placements	-	-	-	-
Available-for-sale financial assets	694.850	1.961.091	20.608	2.676.549
Loans ⁽¹⁾	27.141.066	37.107.692	1.310.275	65.559.033
Investments in associates, subsidiaries and joint ventures	-	-	380.291	380.291
Held-to-maturity investments	726.921	4.880.684	-	5.607.605
Hedging derivative financial assets	-	2	-	2
Tangible assets	2.413	-	28.630	31.043
Intangible assets ⁽⁶⁾	-	-	-	-
Other assets ⁽²⁾	6.232.311	3.303.543	420.878	9.956.732
Total assets	40.879.782	61.983.141	7.170.023	110.032.946
Liabilities				
Bank deposits	1.081.993	1.454.869	72.015	2.608.877
Foreign currency deposits	19.356.618	39.267.548	2.063.137	60.687.303
Funds from money market	219.796	2.544.695	-	2.764.491
Funds borrowed from other financial institutions	16.553.962	9.200.765	310.176	26.064.903
Marketable securities issued	480.511	11.498.437	252.320	12.231.268
Miscellaneous payables	927.776	1.104.740	18.655	2.051.171
Hedging derivative financial liabilities	29.909	206.922	-	236.831
Other liabilities ⁽³⁾	260.172	8.518.918	21.750	8.800.840
Total liabilities	38.910.737	73.796.894	2.738.053	115.445.684
Net on balance sheet position	1.969.045	(11.813.753)	4.431.970	(5.412.738)
Net off balance sheet position⁽⁵⁾	(1.795.567)	11.605.807	(3.800.191)	6.010.049
Financial derivative assets	7.684.534	29.103.202	2.285.581	39.073.317
Financial derivative liabilities	9.480.101	17.497.395	6.085.772	33.063.268
Net position	173.478	(207.946)	631.779	597.311
Non-cash loans	17.677.767	21.655.357	3.075.856	42.409.980
December 31, 2015				
Total assets	32.470.485	66.706.485	5.900.844	105.077.814
Total liabilities	36.653.072	72.256.600	2.481.489	111.391.161
Net on-balance sheet position	(4.182.587)	(5.550.115)	3.419.355	(6.313.347)
Net off-balance sheet position	4.306.950	5.272.930	(2.551.242)	7.028.638
Financial derivative assets	9.401.060	35.397.322	1.958.188	46.756.570
Financial derivative liabilities	5.094.110	30.124.392	4.508.430	39.727.932
Net position	124.363	(277.185)	868.113	715.291
Non-cash loans	14.948.763	22.669.213	1.949.697	39.567.673

- (1) Includes FX indexed loans amounting to TL 5.069.388 (December 31, 2015 - TL 5.163.077) which have been disclosed as TL in the financial statements.
- (2) Does not include foreign currency prepaid expenses amounting to TL 100.794 (December 31, 2015 - TL 96.981).
- (3) Does not include foreign currency denominated general provisions for foreign currencies, hedged funds and marketable securities valuation differences under equity.
- (4) Other FC column also includes gold balance.
- (5) Forward transactions classified as commitments are also included.
- (6) In accordance with the principles of the "Regulation on the calculation and implementation of foreign currency net general position/equity standard ratio by banks on consolidated and non-consolidated basis" foreign currency intangible assets amounted TL 11.308 is not considered in the calculation.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Information related to financial position of the Group (continued)

V. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analyses regarding the effect of interest rate fluctuations on the financial statements, is performed by the risk management department for all interest sensitive instruments over carrying values. The results are presented monthly to the Asset and Liability Management function of the Executive Committee. By using sensitivity and scenario analyses, the possible effects by interest rate volatility are analyzed. In these analyses possible losses are calculated for the change in fair value of interest sensitive products by applying shock tests to interest rates.

Sensitivity analyses are also calculated daily within Market Risk reporting on the basis of maturity and foreign exchange types and reported to Senior Management by checking them against the determined limits.

The Group utilizes TL/foreign currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Information related to financial position of the Group (continued)

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.845.432	-	47.335	-	-	11.428.192	29.320.959
Banks	1.093.756	879.361	311.180	-	-	1.354.730	3.639.027
Financial assets at fair value through profit/loss	359.006	204.766	136.583	302.639	402.629	20.658	1.426.281
Money market placements	3.089.841	-	-	-	-	-	3.089.841
Available-for-sale financial assets	3.444.842	2.608.720	6.328.055	2.540.112	1.791.790	156.235	16.869.754
Loans	28.686.706	25.510.644	42.152.470	51.867.266	13.403.293	1.866.271	163.486.650
Held-to-maturity investments	1.065.462	71.394	916.410	1.319.198	6.226.227	-	9.598.691
Other assets	2.295.030	1.285.797	1.927.554	4.515.156	630.451	10.023.381	20.677.369
Total assets	57.880.075	30.560.682	51.819.587	60.544.371	22.454.390	24.849.467	248.108.572
Liabilities							
Bank deposits	2.368.078	535.169	718.693	212	-	276.265	3.898.417
Other deposits	74.629.772	31.594.027	4.929.492	842.151	225.692	22.477.783	134.698.917
Funds from money market	10.679.310	769.329	994.636	78.784	-	-	12.522.059
Miscellaneous payables	-	-	-	-	-	11.007.533	11.007.533
Marketable securities issued	374.554	7.401.636	3.666.332	5.059.515	34.266	-	16.536.303
Funds borrowed from other financial institutions	5.481.577	9.317.648	9.367.933	2.028.864	610.071	-	26.806.093
Other liabilities ⁽¹⁾	416.591	806.721	160.908	382.105	7.818.019	33.054.906	42.639.250
Total liabilities	93.949.882	50.424.530	19.837.994	8.391.631	8.688.048	66.816.487	248.108.572
Balance sheet long position	-	-	31.981.593	52.152.740	13.766.342	-	97.900.675
Balance sheet short position	(36.069.807)	(19.863.848)	-	-	-	(41.967.020)	(97.900.675)
Off-balance sheet long position	8.646.206	17.641.278	-	-	-	-	26.287.484
Off-balance sheet short position	-	-	(2.372.381)	(16.961.766)	(7.167.284)	-	(26.501.431)
Total position	(27.423.601)	(2.222.570)	29.609.212	35.190.974	6.599.058	(41.967.020)	(213.947)

⁽¹⁾ Shareholders' equity is presented in the "Non interest bearing"

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.087.214	-	58.152	-	-	10.243.581	27.388.947
Banks	928.892	782.638	170.961	-	-	1.229.014	3.111.505
Financial assets at fair value through profit/loss	639.390	221.550	608.555	238.771	49.987	8.040	1.766.293
Money market placements	284.115	2.011	-	-	-	-	286.126
Available-for-sale financial assets	2.064.819	5.608.359	7.561.054	3.788.649	3.546.226	273.097	22.840.204
Loans	24.799.040	18.136.911	49.801.041	39.551.011	20.201.092	1.528.894	154,017,989
Held-to-maturity investments	-	396.679	1.221.604	1.143.899	4.346.627	-	7,108,809
Other assets	1.908.390	1,229,534	1,759,260	4,402,110	564,058	8,884,707	18,748,059
Total assets	47,711,860	26,375,682	61,180,627	49,124,440	28,707,990	22,167,333	235,267,932
Liabilities							
Bank deposits	3,678,714	382,544	672,053	33,072	-	349,936	5,116,319
Other deposits	64,571,208	33,002,949	6,398,343	685,677	288,583	19,961,986	124,908,746
Funds from money market	13,702,748	315,153	245,636	-	-	-	14,263,537
Miscellaneous payables	-	-	-	-	-	9,794,681	9,794,681
Marketable securities issued	435,023	8,129,023	2,325,254	6,251,601	31,992	-	17,172,893
Funds borrowed from other financial institutions	6,792,512	9,134,800	7,339,844	768,127	825,696	-	24,860,979
Other liabilities ⁽¹⁾	763,758	583,539	1,104,543	193,425	6,086,423	30,419,089	39,150,777
Total liabilities	89,943,963	51,548,008	18,085,673	7,931,902	7,232,694	60,525,692	235,267,932
Balance sheet long position	-	-	43,094,954	41,192,538	21,475,296	-	105,762,788
Balance sheet short position	(42,232,103)	(25,172,326)	-	-	-	(38,358,359)	(105,762,788)
Off-balance sheet long position	6,138,880	18,321,753	-	-	-	-	24,460,633
Off-balance sheet short position	-	-	(6,677,496)	(14,181,466)	(4,332,133)	-	(25,191,095)
Total position	(36,093,223)	(6,850,573)	36,417,458	27,011,072	17,143,163	(38,358,359)	(730,462)

⁽¹⁾ Shareholders' equity is presented in the "Non interest bearing"

Yapı ve Kredi Bankası A.Ş.

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

Information related to financial position of the Group (continued)

b. Average interest rates for monetary financial instruments:

The following average interest rates of the Group are calculated by weighting the rates with their principal amounts outstanding as of the balance sheet date.

Current Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,49	-	3,49
Banks	0,83	0,72	-	11,13
Financial assets at fair value through profit/loss	2,89	3,78	-	8,94
Money market placements	-	-	-	8,24
Available-for-sale financial assets	4,02	5,34	-	10,43
Loans	4,19	5,77	4,99	13,41
Held-to-maturity investments	3,21	5,40	-	10,03
Liabilities⁽¹⁾				
Bank deposits	0,78	1,05	-	8,19
Other deposits	1,43	2,60	1,40	11,02
Funds from money market	0,21	1,47	-	8,10
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,97	4,41	0,35	10,07
Funds borrowed from other financial institutions	1,25	2,25	3,18	6,36

(1) Does not include demand/non-interest transaction.

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,21	-	2,09
Banks	1,53	1,88	-	13,54
Financial assets at fair value through profit/loss	2,06	3,92	-	8,72
Money market placements	-	0,90	-	13,21
Available-for-sale financial assets	4,41	5,81	-	9,96
Loans	4,06	5,34	4,80	14,48
Held-to-maturity investments	3,40	5,39	-	10,61
Liabilities⁽¹⁾				
Bank deposits	1,17	1,13	-	11,07
Other deposits	1,51	2,21	1,72	12,73
Funds from money market	-	1,01	-	7,91
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,78	3,72	0,81	11,07
Funds borrowed from other financial institutions	1,01	2,95	2,99	7,14

(1) Does not include demand/non-interest transaction.

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Notes to consolidated financial statements as of September 30, 2016

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Information related to financial position of the Group (continued)

VI. Explanation on share certificates position risk from banking book:

1. Comparison of the carrying, fair and market values of equity shares:

Group has no unconsolidated subsidiaries and joint venture quoted in Borsa Istanbul as of September 30, 2016.

2. Information on realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals:

None.

VII. Explanations on consolidated liquidity risk and consolidated liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or Group to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Group is approved by the Bank's Board of Directors. Treasury Management is responsible for carrying out transactions which are appropriate to Bank's policy, monitoring of liquidity position and submitting necessary reports to executives. Capital management contributes to determine strategies and operating actions for the management of the liquidity position in addition to prepare funding plan and contingency plan of the Bank in cooperation with Treasury Management. Liquidity risk is evaluated with liquidity gap analysis, liquidity stress tests and supplementary precautions/measurements. Liquidity Gap analysis are performed for two different periods as short-term and long-term. Going concern scenario and structural positions are reported monthly. This reporting constitutes the basis of monitoring and management of liquidity position.

The Parent Bank functions as a central funding institution in its relations with its subsidiaries. Intra-group liquidity management and funding strategies are limited with related legal boundaries.

The Parent Bank issues an annual funding plan in order to sustain funding in a consistent and balanced way. Funding plan have to be updated at least annually and approved by the Executive Committee since it is complied with budgeting process and risk appetite frameworks. The primary purpose of the funding plan is to provide a reliable balance between assets and liabilities.

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period. The Parent Bank mainly uses derivative transactions as managing liquidity risk and monitors cash inflow and outflow periods in the framework of funding plan balancing the distribution among currencies.

The Parent Bank aims to reduce the risks to the lowest level if required via measuring possible risks in liquidity with stress tests. Stress tests make it possible for the Bank to reinterpret analysis of its liquidity position according to scenarios depending on possible cases and tail risks except for crisis situations. The bank applies weekly liquidity stress tests consisting of different scenarios and maturity segments (maximum 60 days).

"Liquidity Contingency Plan" is applied if the Parent Bank needs more liquidity than its daily liquidity need because of possible financial events in future. Duties and responsibilities are defined in detail in the aforementioned plan.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Notes to consolidated financial statements as of September 30, 2016

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

Information related to financial position of the Group (continued)

	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
CURRENT PERIOD				
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			34.274.091	21.397.480
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	66.987.646	25.578.848	5.836.593	2.557.860
Stable deposits	17.243.434	499	862.172	25
Less stable deposits	49.744.212	25.578.349	4.974.421	2.557.835
Unsecured Funding other than Retail and Small Business Customers Deposits	62.207.753	30.275.037	36.685.506	16.254.039
Operational deposits	-	-	-	-
Non-Operational Deposits	48.716.978	25.100.397	25.222.235	11.079.399
Other Unsecured Funding	13.490.775	5.174.640	11.463.271	5.174.640
Secured funding	-	-	-	-
Other Cash Outflows	9.505.831	6.402.940	9.504.912	6.402.021
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	9.504.518	6.401.627	9.504.518	6.401.627
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	1.313	1.313	394	394
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	54.717.461	35.259.692	2.735.873	1.704.278
Other irrevocable or conditionally revocable commitments	57.729.253	9.744.153	4.141.814	629.353
TOTAL CASH OUTFLOWS			58.904.698	27.547.551
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.728.037	5.380.241	13.521.253	4.100.324
Other contractual cash inflows	8.397.928	7.329.744	8.397.928	7.329.744
TOTAL CASH INFLOWS	29.125.965	12.709.985	21.919.181	11.430.068
Capped Amounts				
TOTAL HIGH QUALITY LIQUID ASSETS			34.274.091	21.397.480
TOTAL NET CASH OUTFLOWS			36.985.517	16.117.483
Liquidity Coverage Ratio (%)			92,67	132,76

(1) The arithmetic average of the last 3 months' month-end consolidated Liquidity Coverage Ratios are used.

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of the Parent Bank are explained in the table below.

Current period	Minimum FC (%)	Minimum TOTAL(%)	Maximum FC (%)	Maximum TOTAL(%)
Week	Sep 30, 2016	Sep 16, 2016	Aug 26, 2016	Sep 9, 2016
Ratio (%)	97,49	86,59	192,80	106,51

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Notes to consolidated financial statements as of September 30, 2016

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

Information related to financial position of the Group (continued)

	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
PREVIOUS PERIOD				
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			30.592.256	21.096.422
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	61.274.185	25.773.923	5.149.032	2.303.333
Stable deposits	19.567.731	5.481.180	978.387	274.059
Less stable deposits	41.706.454	20.292.743	4.170.645	2.029.274
Unsecured Funding other than Retail and Small Business Customers Deposits	61.696.884	29.923.382	36.240.363	16.330.403
Operational deposits	-	-	-	-
Non-Operational Deposits	48.478.785	25.496.624	24.885.088	11.903.658
Other Unsecured Funding	13.218.099	4.426.758	11.355.275	4.426.745
Secured funding			20.529	20.529
Other Cash Outflows	16.322.074	9.027.288	16.320.394	9.025.608
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	16.319.674	9.024.888	16.319.674	9.024.888
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	2.400	2.400	720	720
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	50.132.649	32.035.021	2.506.632	1.601.751
Other irrevocable or conditionally revocable commitments	57.598.448	10.980.889	4.236.097	716.157
TOTAL CASH OUTFLOWS			64.473.047	29.997.781
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	20.438.444	7.658.842	13.521.423	6.170.588
Other contractual cash inflows	17.043.992	13.455.403	15.741.643	10.434.732
TOTAL CASH INFLOWS	37.482.436	21.114.245	29.263.066	16.605.320
Capped Amounts				
TOTAL HIGH QUALITY LIQUID ASSETS			30.592.256	21.096.422
TOTAL NET CASH OUTFLOWS			35.209.981	13.392.461
Liquidity Coverage Ratio (%)			86,89	157,52

(1) The arithmetic average of the last 3 months' month-end consolidated Liquidity Coverage Ratios are used.

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios of the prior period calculated weekly related to the last three months of the Parent Bank for prior period are explained in the table below.

Prior Period	Minimum FC (%)	Minimum TOTAL(%)	Maximum FC (%)	Maximum TOTAL(%)
Week	November 27, 2015	December 4, 2015	October 23, 2015	December 31, 2015
Ratio (%)	116,83	82,13	170,42	99,16

Funding sources of the Bank mainly consist of deposits which constitute 56% of total liabilities of the bank (December 31, 2015 – 55%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

Cash, effective money, cheques, Central Bank of the Republic of Turkey ("CBRT") reserves and debt instruments issued by Treasury of the Republic of Turkey are treated as high quality liquid assets.

Cash outflows from derivative transactions in liquidity coverage ratio calculation are based on inclusion of net cash flows with maturity of 30 days in the calculation. Additionally, transactions having a margin possibility are included in liquidity coverage ratio calculation by taking the largest amount according to absolute value of net margin flows realized in the last 24 months in respect of 30 days period or for liability into consideration as cash outflow.

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Information related to financial position of the Group (continued)

Breakdown of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified ⁽¹⁾⁽²⁾	Total
Current Period								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	7.640.963	21.632.661	-	47.335	-	-	-	29.320.959
Banks	1.354.730	1.093.760	948.462	71.669	170.406	-	-	3.639.027
Financial assets at fair value through profit or loss	-	93.405	111.618	292.592	504.477	403.531	20.658	1.426.281
Money market placements	-	3.089.841	-	-	-	-	-	3.089.841
Available-for-sale financial assets	55.584	-	4.872	787.459	7.258.784	8.662.404	100.651	16.869.754
Loans	-	25.756.779	13.454.643	37.524.777	63.139.969	21.744.211	1.866.271	163.486.650
Held-to-maturity Investments	-	24.430	71.394	31.225	2.404.645	7.066.997	-	9.598.691
Other assets ⁽¹⁾	2.687.032	1.529.093	1.276.126	2.269.397	4.887.525	830.416	7.197.780	20.677.369
Total assets	11.738.309	53.219.969	15.867.115	41.024.454	78.365.806	38.707.559	9.185.360	248.108.572
Liabilities								
Bank deposits	276.265	2.368.078	535.169	718.693	212	-	-	3.898.417
Other deposits	22.477.783	74.629.772	31.594.027	4.929.492	842.151	225.692	-	134.698.917
Funds borrowed from other financial institutions	-	4.982.539	1.919.407	13.297.768	6.171.898	434.481	-	26.806.093
Funds from money market	-	10.679.310	769.329	994.636	78.784	-	-	12.522.059
Marketable securities issued	-	374.554	1.685.575	3.666.332	6.370.762	4.439.080	-	16.536.303
Miscellaneous payables	1.672.316	8.634.018	290.057	246.529	39	-	164.574	11.007.533
Other liabilities ⁽²⁾	3.036.474	103.427	706.740	349.238	1.441.830	8.408.013	28.593.528	42.639.250
Total liabilities	27.462.838	101.771.698	37.500.304	24.202.688	14.905.676	13.507.266	28.758.102	248.108.572
Liquidity gap	(15.724.529)	(48.551.729)	(21.633.189)	16.821.766	63.460.130	25.200.293	(19.572.742)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(75.543)	(113.381)	229.760	48.811	(307.312)	-	(217.665)
Derivative Financial Liabilities	-	25.644.026	8.661.953	14.703.697	36.924.094	16.161.539	-	102.095.309
Derivative Financial Liabilities	-	25.719.569	8.775.334	14.473.937	36.875.283	16.468.851	-	102.312.974
Non-Cash Loans	-	2.535.394	6.646.643	19.504.881	10.377.567	24.116.101	31.077	63.211.663
Prior Period								
Total assets	5.842.245	51.623.125	17.584.555	44.461.789	58.497.782	49.126.978	8.131.458	235.267.932
Total liabilities	23.926.320	92.826.699	38.623.070	24.869.206	14.848.860	13.691.309	26.482.468	235.267.932
Liquidity gap	(18.084.075)	(41.203.574)	(21.038.515)	19.592.583	43.648.922	35.435.669	(18.351.010)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	766.932	(471.172)	(120.615)	25.911	(34.020)	-	167.036
Derivative Financial Assets	-	29.597.702	15.304.298	28.029.816	28.025.521	11.604.519	-	112.561.856
Derivative Financial Liabilities	-	28.830.770	15.775.470	28.150.431	27.999.610	11.638.539	-	112.394.820
Non-Cash Loans	-	18.748.384	3.219.079	8.483.380	5.807.118	21.385.609	626	57.644.196

- (1) Assets that are necessary for continuance of banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments in associates, subsidiaries, assets held for sale stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.
- (2) Shareholders' equity is presented under the "Other liabilities" item in the "Unclassified" column.

VIII. Explanations on consolidated leverage ratio:

The main reasons for the increase in leverage ratio in the current period are especially the decrease in the risk amounts of the derivative financial instruments and the off-balance sheet items together with the increase in the Tier 1 capital.

The summary information for the comparison of total assets in consolidated financials prepared in accordance with TAS and total exposures:

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Information related to financial position of the Group (continued)

	Current Period ⁽²⁾	Prior Period ⁽²⁾
1 Total assets in the consolidated financial statements prepared in accordance with TAS ^{(1), (2)}	242.742.779	231.901.550
2 Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communiqué on Preparation of Consolidated Financial Statements of the Banks	2.192.751	2.276.833
3 Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	2.459.907	2.467.817
4 Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(9.252.064)	(9.898.917)
5 Differences between off-balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(8.538.376)	(2.512.027)
6 Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	5.478.902	3.911.486
7 Total Risks	373.159.763	383.723.240

- (1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.
(2) The arithmetic average of the last 3 months in the related periods.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	242.916.228	231.035.701
2 (Asset amounts deducted in determining Tier 1 capital)	(2.716.270)	(2.594.171)
3 Total on-Balance sheet exposures	240.199.958	228.441.530
Derivative financial instruments and credit derivatives		
4 Replacement cost of derivative financial instruments and credit derivatives	131.774	826.025
5 Potential credit risk of derivative financial instruments and credit derivatives	2.459.907	2.467.817
6 Total derivative financial instruments and credit derivatives exposure	2.591.681	3.293.842
Securities financing transaction exposure		
7 Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	964.768	1.822.510
8 Agent transaction exposures	-	-
9 Total securities financing transaction exposures	964.768	1.822.510
Off-balance sheet items		
10 Off-balance sheet exposure at gross notional amount	137.941.732	152.677.385
11 (Adjustments for conversion to credit equivalent amounts)	(8.538.376)	(2.512.027)
12 Total risk of off-balance sheet items	129.403.356	150.165.358
Capital and total exposure		
13 Tier 1 capital	22.930.140	20.682.544
14 Total exposures	373.159.763	383.723.240
Leverage ratio		
15 Leverage ratio (%)	6,14%	5,39%

- (1) The arithmetic average of the last 3 months in the related periods.

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Information related to financial position of the Group (continued)

IX. Explanations on the strategies and policies of the risk management system:

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 October 23, 2015 and became effective as of March 31, 2016.

The standardised approach is used for calculating the capital adequacy of the Bank, therefore, footnotes and explanations related to the internal rating based approach have not been disclosed.

	Risk Weighted Assets		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	206.845.689	199.311.971	16.547.655
2 Of which standardised approach (SA)	206.845.689	199.311.971	16.547.655
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	2.355.153	2.929.494	188.412
5 Of which standardised approach for counterparty credit risk (SA-CCR)	2.355.153	2.929.494	188.412
6 Of which internal model method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – fail-back approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	1.073.150	984.115	85.852
17 Of which standardised approach (SA)	1.073.150	984.115	85.852
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	14.338.007	12.833.313	1.147.041
20 Of which Basic Indicator Approach	14.338.007	12.833.313	1.147.041
21 Of which Standardised Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	224.611.999	216.058.893	17.968.960

X. Explanations on the presentation of financial assets and liabilities at fair values:

This footnote is not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim periods.

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Notes to consolidated financial statements as of September 30, 2016

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Information related to financial position of the Group (continued)

XI. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of September 30, 2016:

- Fair value Hedge ("FVH")
- Cash Flow Hedge ("CFH")

Cross currency interest rate swaps are used as hedging instrument in FVH. Interest rate swaps and cross currency swaps are used as hedging instrument in CFH. Contractual amounts and the fair values as at September 30, 2016 of these hedging instruments are presented in the table below:

	Notional ⁽¹⁾	Current Period		Notional ⁽¹⁾	Prior Period	
		Asset	Liability		Asset	Liability
Hedging instrument						
Interest rate swap / cross currency swap (CFH)	22.892.037	336.401	581.488	28.436.221	703.897	144.047
Cross currency interest rate swap (FVH)	704.107	151.272	21.272	666.872	257.144	4.231
Total	23.596.144	487.673	602.760	29.103.093	961.041	148.278

- (1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 24.032.821 (December 31, 2015 - TL 29.623.344) the total notional of derivative financial assets amounting to TL 47.628.965 (December 31, 2015 - TL 58.726.437) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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Information related to financial position of the Group (continued)

The fair valuation methodology of the derivatives presented in the above table is disclosed in detail in the accounting principles section of these financial statements in Section III. Part IV.

Fair value hedge accounting:

Starting from March 1, 2009 and July 28, 2015 for marketable securities, the Bank has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios and marketable securities and fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funding and marketable securities by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with TAS 39.

The impact of application of FVH accounting is summarized below;

Current Period					
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the ⁽²⁾	
				Asset	Liability
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds, foreign currency securities	Fixed interest and changes in foreign exchange rate risk	(2.923)	140.070	20.728
					20.374

- (1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
- (2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (3) The ineffective portion of the mentioned hedging transaction is TL 967.

Prior Period					
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value of the hedged item ⁽¹⁾	Net fair value of the ⁽²⁾	
				Asset	Liability
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds, foreign currency securities	Fixed interest and changes in foreign exchange rate risk	(23.297)	251.230	3.427
					(14.775)

- (1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency fundings and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.
- (2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.
- (3) The ineffective portion of the mentioned hedging transaction is TL 2.286.

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Information related to financial position of the group (continued)

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the FVH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies. In the effectiveness tests, the fair values of the hedged item are calculated using the same assumptions used in calculation of fair values of the derivatives.

The effectiveness tests are performed prospectively and retrospectively on a monthly basis. At the inception date the effectiveness tests are performed prospectively. If the underlying hedge does not conform to the FVH accounting requirements (out of the 80% - 125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation, the adjustments made to the carrying value (amortized cost) of the hedged item are amortized with the straight line method and recognized in the profit and loss accounts within the remaining maturity. In addition if the hedging instrument is sold or closed before its maturity, the amount of the fair value adjustments of the hedged items are amortized to profit and loss accounts with the straight line method within the remaining maturity.

Cash flow hedge accounting:

The Parent Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR and TL interest rate swaps and cross currency swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swaps	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	336.401	581.488	(411.742)	(679.707)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 2.401 realized as an expense.

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swaps	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	703.897	144.047	267.965	564.974

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 6.355.

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Notes to consolidated financial statements as of September 30, 2016

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

Information related to financial position of the group (continued)

At the inception date, the Parent Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with TAS 39, the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

The effectiveness tests are performed on a monthly basis. If the underlying hedge does not conform to the CFH accounting requirements (out of the 80%-125% effectiveness range) or if the management voluntarily decides to discontinue the hedging relation or the hedging instrument is sold or closed before its maturity, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. When the hedged forecasted transactions are no longer expected to occur, the net cumulative gain or loss is reclassified from other comprehensive income to profit and loss.

Net Investment Hedge

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's EUR denominated borrowing is designated as a hedge of the net investment in the Group's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at September 30, 2016 is EUR 353 million (December 31, 2015 - EUR 348 million).

XII. Explanations on the activities carried out on behalf of others and fiduciary transactions:

The Group carries out trading, custody, management and consulting services on behalf of customers and on their account. The Group has no fiduciary transactions.

XIII. Explanations on consolidated operating segments:

The Group carries out its banking operations through three main business units:

- (1) Retail Banking
- (2) Corporate and Commercial Banking
- (3) Private Banking and Wealth Management.

The Parent Bank's Retail Banking activities include card payment systems, SME (small medium size enterprises) banking and individual banking. Retail Banking products and services offered to customers include card payment systems, consumer loans (including general purpose loans, auto loans, mortgages), commercial installment loans, SME loans, time and demand deposits, gold banking, investment accounts, life and non-life insurance products and payroll services. Card payment systems cover the management of products, services, campaigns for member merchants as well as the sales and activities for a variety of customer types. Crystal, Play, Adios and Taksitçi are the other card brands providing services for the different segments within the World brand, shopping and marketing platform of the Bank. The Bank also offers debit card and a prepaid card named World Hediye Card.

Corporate and Commercial Banking segment is organized into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. Corporate and Commercial Banking, has a product range of working capital finance, trade finance, project finance, domestic and international non-cash loans such as letters of credit and letters of guarantee, cash management and internet banking.

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Notes to consolidated financial statements as of September 30, 2016

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

Information related to financial position of the Group (continued)

Through its Private Banking and Wealth Management activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

The Group's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments. Foreign operations include the Group's banking transactions in the Netherlands, Azerbaijan, Russia and Malta. Treasury, Asset – Liability Management and other operations, mainly consist of treasury management's results, operations of supporting business units and other unallocated transactions.

The below table is prepared in accordance with the Management Information System (MIS) data of the Bank.

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

Current Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing	3.278.257	2.057.652	173.367	192.754	424.442	2.830.516	(5.811)	8.951.177
Operating expenses continuing	(3.069.357)	(643.800)	(74.440)	(91.637)	(159.080)	(1.974.281)	5.811	(6.006.784)
Net operating income continuing	208.900	1.413.852	98.927	101.117	265.362	856.235	-	2.944.393
Dividend income ⁽²⁾	-	-	-	-	-	6.059	-	6.059
Income/Loss from Investments accounted based on equity method	-	-	-	-	-	56.461	-	56.461
Profit before tax	208.900	1.413.852	98.927	101.117	265.362	918.755	-	3.006.913
Tax expense ⁽²⁾	-	-	-	-	-	(644.048)	-	(644.048)
Net period income from continuing operations	208.900	1.413.852	98.927	101.117	265.362	274.707	-	2.362.865
Minority interest (-)	-	-	-	-	-	(46)	-	(46)
Group income/loss	208.900	1.413.852	98.927	101.117	265.362	274.661	-	2.362.819
Segment assets	70.858.411	75.602.601	161.723	8.542.040	15.265.006	80.198.604	(3.143.982)	247.484.403
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	624.169	-	624.169
Total assets	70.858.411	75.602.601	161.723	8.542.040	15.265.006	80.822.773	(3.143.982)	248.108.572
Segment liabilities	56.557.615	48.989.309	32.740.328	6.986.419	13.094.778	67.858.235	(3.141.822)	223.084.862
Shareholders' equity	-	-	-	-	-	25.023.710	-	25.023.710
Total liabilities	56.557.615	48.989.309	32.740.328	6.986.419	13.094.778	92.881.945	(3.141.822)	248.108.572

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Information related to financial position of the Group (continued)

Prior Period ⁽³⁾	Retail banking	Corporate and commercial banking	Private banking and wealth management	Other foreign operations	Other domestic operations	Treasury, Asset-Liability Management and Other	Consolidation adjustments ⁽¹⁾	Total operations of the Group
Operating revenue continuing	2.922.262	1.751.944	157.156	191.198	394.976	1.812.862	45.953	7.276.351
Operating expenses continuing	(2.673.375)	(629.981)	(67.148)	(124.309)	(162.741)	(1.962.074)	6.108	(5.613.520)
Net operating income continuing	248.887	1.121.963	90.008	66.889	232.235	(149.212)	52.061	1.662.831
Dividend income ⁽²⁾	-	-	-	-	-	5.866	-	5.866
Income/Loss from Investments accounted based on equity method ⁽⁴⁾	-	-	-	-	-	43.553	-	43.553
Profit before tax	248.887	1.121.963	90.008	66.889	232.235	(99.793)	52.061	1.712.250
Tax expense ⁽²⁾	-	-	-	-	-	(438.596)	-	(438.596)
Net period income from continuing operations	248.887	1.121.963	90.008	66.889	232.235	(538.389)	52.061	1.273.654
Minority interest (-)	-	-	-	-	-	(41)	-	(41)
Group income/loss	248.887	1.121.963	90.008	66.889	232.235	(538.430)	52.061	1.273.613
Segment asset	69.090.016	70.054.161	169.838	7.557.491	13.109.386	77.070.175	(2.361.014)	234.690.053
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	577.879	-	577.879
Total assets	69.090.016	70.054.161	169.838	7.557.491	13.109.386	77.648.054	(2.361.014)	235.267.932
Segment liabilities	51.068.598	49.253.094	28.125.979	6.169.289	11.085.675	68.837.738	(2.358.843)	212.181.530
Shareholders' equity	-	-	-	-	-	23.086.402	-	23.086.402
Total liabilities	51.068.598	49.253.094	28.125.979	6.169.289	11.085.675	91.924.140	(2.358.843)	235.267.932

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

(3) Prior period columns represent profit / loss figures for the 9 months period ended September 30, 2015.

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Notes to consolidated financial statements as of September 30, 2016

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

Section five

Explanations and notes related to consolidated financial statements

I. Explanations and notes related to consolidated assets:

a. Information related to cash and the account of the Central Bank:

1. Information on cash and the account of the Central Bank of the Republic of Turkey ("the CBRT"):

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.617.749	810.325	1.437.741	567.110
The CBRT ⁽¹⁾	4.845.672	21.633.262	2.025.935	23.019.557
Other	-	413.951	-	338.604
Total	6.463.421	22.857.538	3.463.676	23.925.271

- (1) The balance of gold amounting to TL 4.763.259 is accounted for under the Central Bank foreign currency account (December 31, 2015 – TL 3.677.328).

2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	4.845.672	601	2.025.935	2.735.055
Time unrestricted amount	-	-	-	-
Reserve requirement ⁽²⁾	-	21.632.661	-	20.284.502
Total	4.845.672	21.633.262	2.025.935	23.019.557

- (1) The TL reserve requirement has been classified in "Central Bank Demand Unrestricted Account" based on the correspondence with BRSA letter as of January 3, 2008.

- (2) The Bank keeps TL, USD, EUR and Gold reserve deposits for its TL and FX liabilities at Central Bank accounts in accordance with the legislation of the Central Bank numbered 2005/1, "Decree on Reserve Deposits".

As of September 30, 2016, the Group's reserve deposits, including those at foreign banks, amount to TL 26.530.353 (December 31, 2015 - TL 25.118.042).

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

The Group does not have financial assets at fair value through profit and loss subject to repo transactions (December 31, 2015 - None) and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2015 - None).

c. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	143.741	-	154.716	200
Swap transactions ⁽¹⁾	703.031	459.128	1.209.471	211.898
Futures transactions	-	-	-	-
Options	39.880	17.917	106.947	8.915
Other	-	-	-	-
Total	886.652	477.045	1.471.134	221.013

(1) Includes Credit Default Swaps

ç. Information on banks:

1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1.158.281	695.349	19.613	1.383.588
Foreign ⁽¹⁾	10.768	1.774.629	14.813	1.693.491
Headquarters and branches abroad	-	-	-	-
Total	1.169.049	2.469.978	34.426	3.077.079

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 6.802 (December 31, 2015 – 22.526 TL).

2. Information on foreign banks account:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

d. Information on available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Carrying values of available-for-sale financial assets which are subject to repurchase agreements and given as collateral / blocked:

Available-for-sale financial assets given as collateral/blocked amount to TL 1.589.163 (December 31, 2015 - TL 4.172.519) and available-for-sale financial assets subject to repo transactions amounts to TL 5.547.414 (December 31, 2015 - TL 8.389.163).

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

	Current Period	Prior Period
Debt securities	16.785.463	22.925.060
Quoted on stock exchange	15.960.615	21.794.371
Not quoted ⁽¹⁾	824.848	1.130.689
Share certificates	145.966	300.332
Quoted on stock exchange	111	112
Not quoted ⁽²⁾	145.855	300.220
Impairment provision (-) ⁽³⁾	(124.482)	(410.013)
Other ⁽⁴⁾	62.807	24.825
Total	16.869.754	22.840.204

(1) Includes credit linked notes amounting to TL 499.764 (December 31, 2015 - TL 476.119).

(2) After the completion of the acquisition of Visa Europe by Visa Inc., 18.871 Series C Visa Inc. preferred shares have been allocated to the Bank.

(3) The figure includes the negative differences between the cost and the amortised cost of the securities and the impairment provisions, if any.

(4) Other available-for-sale financial assets include mutual funds.

f. Explanations on loans:

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	4.137	1.383.898	6.593	954.585
Loans granted to employees	148.388	624	138.434	492
Total	152.525	1.384.522	145.027	955.077

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

Cash Loans	Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	of which, terms & conditions are changed		Loans and other receivables (Total)	of which, terms & conditions are changed	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	155.125.103	3.018.279	-	6.495.276	2.427.635	120.893
Loans given to enterprises	76.776.983	1.014.510	-	1.735.691	936.068	82.509
Export loans	5.224.676	198.773	-	82.077	50.244	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	4.019.470	-	-	-	-	-
Consumer loans	28.851.623	910.277	-	1.436.529	250.444	23.940
Credit cards	21.262.440	560.348	-	542.300	209.678	11.882
Other ⁽¹⁾	18.989.911	334.371	-	2.698.679	981.201	2.562
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	155.125.103	3.018.279	-	6.495.276	2.427.635	120.893

(1) Fair value differences of the hedged items amounting to 1L 20.015 expense are classified in other loans as explained in Note IV, Section XI.

Number of modifications made to extend payment plan ^{(1),(2),(3),(4)}	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	2.431.802	1.942.072
Extended by 3,4 or 5 times	347.580	426.667
Extended by more than 5 times	238.897	58.896
Total	3.018.279	2.427.635

Number of modifications made to extend payment plan ^{(1),(2),(3),(4)}	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	527.777	389.929
6 - 12 Months	443.257	246.195
1 - 2 Years	681.592	392.260
2 - 5 Years	799.967	583.200
5 Years and over	565.686	816.051
Total	3.018.279	2.427.635

(1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 09, 2011

(2) There are 87 loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities Until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 72 of them were restructured once or twice, 12 of them were restructured three, four or five times, 3 of them were structured more than five times.

(3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.

(4) There are 546 loans restructured in accordance with temporary article 10 subsection of the amendment of Provisioning Regulation dated August 5, 2016 with maturities Until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 366 of them were restructured once or twice, 134 of them were restructured three, four or five times, 46 of them were structured more than five times.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

3. Loans according to their maturity structure:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

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

	Short- term	Medium and long-term	Total
Consumer loans-TL	248.735	28.629.370	28.878.105
Real estate loans	6.601	12.004.608	12.011.209
Automotive loans	6.131	345.407	351.538
Consumer loans	236.003	16.279.355	16.515.358
Other	-	-	-
Consumer loans-FC indexed	-	37.255	37.255
Real estate loans	-	36.673	36.673
Automotive loans	-	-	-
Consumer loans	-	582	582
Other	-	-	-
Consumer loans-FC	26.987	54.562	81.549
Real estate loans	591	14.650	15.241
Automotive loans	1.355	1.072	2.427
Consumer loans	11.138	20.005	31.143
Other	13.903	18.835	32.738
Individual credit cards-TL	14.927.495	694.515	15.622.010
With installments	7.964.808	683.571	8.648.379
Without installments	6.962.687	10.944	6.973.631
Individual credit cards-FC	12.770	44.829	57.599
With installments	7.332	44.829	52.161
Without installments	5.438	-	5.438
Personnel loans-TL	4.911	59.596	64.507
Real estate loans	-	1.906	1.906
Automotive loans	-	137	137
Consumer loans	4.911	57.553	62.464
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	385	801	1.186
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	172	573	745
Other	213	228	441
Personnel credit cards-TL	79.412	242	79.654
With installments	39.651	242	39.893
Without installments	39.761	-	39.761
Personnel credit cards-FC	792	251	1.043
With installments	515	251	766
Without installments	277	-	277
Credit deposit account-TL (real person)⁽¹⁾	1.225.291	-	1.225.291
Credit deposit account-FC (real person)	259	-	259
Total	16.527.037	29.521.421	46.048.458

(1) TL 1.998 of the credit deposit account belongs to the loans used by personnel.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

		Current Period	
	Short- term	Medium and long-term	Total
Commercial installments loans-TL	880.390	8.785.188	9.665.578
Business loans	856	735.311	736.167
Automotive loans	45.916	1.555.279	1.601.195
Consumer loans	833.618	6.494.598	7.328.216
Other	-	-	-
Commercial installments loans-FC indexed	8.086	220.486	228.572
Business loans	-	17.624	17.624
Automotive loans	36	66.044	66.080
Consumer loans	8.050	136.818	144.868
Other	-	-	-
Commercial installments loans-FC	-	-	-
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	6.043.536	710	6.044.246
With installment	3.911.772	380	3.912.152
Without installment	2.131.764	330	2.132.094
Corporate credit cards-FC	188	-	188
With installment	-	-	-
Without installment	188	-	188
Credit deposit account-TL (legal person)	1.366.625	-	1.366.625
Credit deposit account-FC (legal person)	-	-	-
Total	8.298.825	9.006.384	17.305.209

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

6. Loans according to types of borrowers:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

7. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate.

	Current Period	Prior Period
Domestic loans	158.386.683	149.261.801
Foreign loans	3.233.696	3.227.294
Total	161.620.379	152.489.095

8. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	7.303	33.816
Indirect loans granted to associates and subsidiaries	-	-
Total	7.303	33.816

9. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	142.481	124.531
Loans and other receivables with doubtful collectability	651.562	519.512
Uncollectible loans and other receivables	5.295.958	4.020.370
Total	6.090.001	4.664.413

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

(i).Information on non-performing loans restructured or rescheduled by the Group, 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
Current Period			
(Gross amounts before specific reserves)	12.177	90.775	279.157
Restructured loans and other receivables	12.177	90.775	279.157
Rescheduled loans and other receivables	-	-	-
Prior Period			
(Gross amounts before specific reserves)	51.746	88.265	146.882
Restructured loans and other receivables	51.746	88.265	146.882
Rescheduled loans and other receivables	-	-	-

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period	694.782	1.310.280	4.188.245
Additions (+)	2.318.909	102.700	124.624
Transfers from other categories of non-performing loans (+)	-	2.003.860	1.602.773
Transfer to other categories of non-performing loans (-)	(2.003.860)	(1.602.773)	-
Collections (-)	(168.492)	(183.160)	(430.425)
FX valuation differences	(364)	(99)	(179)
Write-offs (-)	-	-	(549)
Corporate and commercial loans	-	-	(81)
Consumer loans	-	-	(438)
Credit cards	-	-	-
Other	-	-	(30)
Current Period	840.975	1.630.808	5.484.489
Specific provision (-)	(142.481)	(651.562)	(5.295.958)
Net balance on balance sheet	698.494	979.246	188.531

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Period end balance	1.745	42.014	570.381
Specific provision (-)	(826)	(13.489)	(473.408)
Net balance on-balance sheet	919	28.525	96.973
Prior Period			
Period end balance	1.131	10.614	563.217
Specific provision (-)	(500)	(6.058)	(461.751)
Net balance on-balance sheet	631	4.556	101.466

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

- (iv). Information on the gross and net amounts of the non-performing loans according to types of borrowers:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (net)	698.494	979.246	188.531
Loans granted to real persons and corporate entities (gross)	840.975	1.630.808	5.375.881
Specific provision amount (-)	(142.481)	(651.562)	(5.187.350)
Loans granted to real persons and corporate entities (net)	698.494	979.246	188.531
Banks (gross)	-	-	24.622
Specific provision amount (-)	-	-	(24.622)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.986
Specific provision amount (-)	-	-	(83.986)
Other loans and receivables (Net) ⁽¹⁾	-	-	-
Prior Period (net)	570.251	790.768	167.875
Loans granted to real persons and corporate entities (gross)	694.782	1.310.280	4.079.682
Specific provision amount (-)	(124.531)	(519.512)	(3.911.807)
Loans granted to real persons and corporate entities (Net)	570.251	790.768	167.875
Banks (gross)	-	-	24.575
Specific provision amount (-)	-	-	(24.575)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.988
Specific provision amount (-)	-	-	(83.988)
Other loans and receivables (Net) ⁽¹⁾	-	-	-

- (1) The figure represents the total loans and receivables of Agrosan Kimya Sanayi Ticaret A.Ş., Tümteks Tekstil Sanayi Ticaret A.Ş. and balances from Boyasan Tekstil Sanayi ve Ticaret A.Ş. in accordance with the Article 6 Paragraph 9 of regulation for provisions taken into account classification of loans and receivables.

11. Explanation on liquidation policy for uncollectible loans and receivables:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

12. Explanation on "Write-off" policies:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

ğ. Information on investments in associates (net):

1. General information on unconsolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Turkey	9,98	9,98

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	171.986	123.290	118.180	1.917	17	10.180	17.045	-
2	68.992	39.246	47.932	383	-	9.586	5.165	-

(1) Financial statement information disclosed above shows June 30, 2016 results.

2. Consolidated investments in associates:

(i). Information on consolidated investments in associates:

No	Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Other Shareholders' shareholding percentage (%)
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş. ⁽¹⁾	Istanbul/Turkey	-	20,00

(1) Other shareholders represent the consolidated Group companies.

(ii). Main financial figures of the consolidated investments in associates in order of the above table:

No	Total assets	Shareholders' equity	Total fixed assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market Value
1	13.050.314	1.300.430	6.190	105.978	18.428	105.577	77.147	-
2	1.257.460	380.642	23.417	91.219	-	137.652	108.609	-

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

(iii). Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	545.225	456.584
Movements during the period	48.813	88.641
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	58.985	49.009
Sales	-	-
Revaluation (decrease) / increase ⁽²⁾	17.399	61.566
Impairment provision ⁽¹⁾	(27.571)	(21.934)
Balance at the end of the period	594.038	545.225
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes dividend income received in the current period.

(2) Includes the differences in the other comprehensive income related with the equity method accounting.

(iv). Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	380.291	338.140
Insurance companies	213.747	207.085
Total financial investments	594.038	545.225

(v). Investments in associates quoted on stock exchange: None.

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

h. Information on shareholders' equity of the significant subsidiaries (net):

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

1. Information on shareholders' equity of the significant subsidiaries:

	Yapı Kredi Yatırım Menkul Değerler A.Ş.	Yapı Kredi Faktoring A.Ş.	Yapı Kredi Finansal Kiralama A.O.	Yapı Kredi Portföy Yönetimi A.Ş.	Yapı Kredi Nederland N.V.
Core Capital					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable Securities Valuation Differences	13.645	-	-	-	(1.694)
Other capital reserves	93.614	11	(217.064)	-	-
Legal reserves	68.107	8.034	79.305	18.164	-
Extraordinary reserves	198.933	10.458	771.384	-	482.113
Other reserves	-	-	-	-	404.535
Profit/loss	(20.389)	123.670	647.571	18.624	67.644
Prior period profit	49.557	25.688	172.803	18.624	67.644
Prior years' income or (loss)	(69.946)	97.982	474.768	-	-
Leasehold improvements (-)	-	-	165	202	71
Intangible assets (-)	17.582	1.544	3.690	574	202
Total core capital	448.943	201.343	1.667.269	41.719	1.064.767
Supplementary capital	-	10.127	37.846	-	188
Capital	448.943	211.470	1.705.115	41.719	1.064.955
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	448.943	211.470	1.705.115	41.719	1.064.955

The above information is based on the information extracted from the individual financial statements of subsidiaries, used for consolidated financial statements of the Bank as of September 30, 2016.

There is no internal capital adequacy assessment process (ICAAP) for the subsidiaries.

Paid-in capital is a capital which have been disclosed as Turkish Lira in the articles of incorporation and registered in trade register.

Inflation adjustment to share capital is the adjustment difference arising from inflation accounting.

Extraordinary Reserves are the reserves which represent the remaining net income of the previous periods after providing the legal reserves in accordance with the General Assembly of the Bank.

Legal reserves are the income reserves that are provided according to the first paragraph and the third subparagraph of the second paragraph of the article no 466 and no 467 of the Turkish Commercial Code No. 6762 allocated as capital reserves separated from annual profit according to the laws of foundation.

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

2. Unconsolidated subsidiaries

(i). Information on unconsolidated subsidiaries

Since the subsidiaries below are not financial subsidiaries, the related subsidiaries are unconsolidated and are carried at restated cost.

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi-Kültür Sanat Yayıncılık Tic. ve San. A.Ş.	Istanbul/Turkey	99,99	100,00
2 Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
3 Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

(ii). Main financial figures of the subsidiaries in 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	Market Value
1	27.323	22.952	1.267	48	-	3.484	3.611	-
2	37.221	24.382	3.712	1.630	-	1.288	(871)	-
3	6.652	5.367	2.203	163	-	644	(1.069)	-

3. Consolidated subsidiaries:

(i). Information on consolidated subsidiaries:

Description	Address (City/ Country)	The Parent Bank's shareholding percentage - if different voting percentage (%)	Bank's risk group shareholding percentage (%)
1 Yapı Kredi Holding B.V.	Amsterdam/Nederlands	100,00	100,00
2 Yapı Kredi Menkul	Istanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	Istanbul/Turkey	99,95	100,00
4 Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5 Yapı Kredi Leasing	Istanbul/Turkey	99,99	99,99
6 Yapı Kredi Portföy	Istanbul/Turkey	12,65	99,99
7 Yapı Kredi NV (1)	Amsterdam/Nederlands	67,24	100,00
8 Yapı Kredi Azerbaycan (2)	Baku/Azerbaijan	99,80	100,00
9 Yapı Kredi Malta	St.Julian/Malta	-	100,00

Although Yapı Kredi Diversified Payment Rights Finance Company ("Structured Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation because it is a structured entity established for securitisation transactions.

- (1) Includes the balances for Sticking Custody Services YKB.
(2) Includes the balances for Yapı Kredi Invest LLC.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

(ii). Main financial figures of the consolidated subsidiaries in the order of the below table⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Market value ⁽²⁾	Required equity
1	228.080	227.868	-	-	-	(186)	216	-	-
2	4.433.807	471.029	39.616	209.868	5.849	49.557	53.151	-	-
3	2.483.204	202.887	2.145	127.903	-	25.688	16.472	-	-
4	385.590	159.826	14.782	23.549	1.149	9.511	10.805	-	-
5	8.514.050	1.671.124	4.198	375.687	-	172.803	140.408	-	-
6	51.233	42.476	1.254	4.048	-	18.624	18.191	-	-
7	6.856.247	1.065.041	867	253.879	9.434	67.644	43.283	-	-
8	816.405	126.415	23.944	42.471	-	(1.576)	(3.606)	-	-
9	476.168	196.922	2.759	8.734	131	(1.063)	(2.687)	-	-

(1) The above financial information is extracted from the financial statements of companies included in the preparation of consolidated financial statements are used as of September 30, 2016.

(iii). Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	3.614.436	3.309.478
Movements during the period	320.589	304.958
Purchases	-	-
Free shares obtained profit from current years share	318.247	345.342
Dividends from current year income	-	-
Sales	-	-
Liquidation	-	-
Transfers	-	-
Revaluation (decrease) / increase ⁽¹⁾	93.056	66.047
Impairment provision ⁽²⁾	(90.714)	(106.431)
Balance at the end of the period	3.935.025	3.614.436
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes the differences in the other comprehensive income related with the equity method accounting.

(2) Includes dividend income received in the current period.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

(iv). Sectoral information on financial subsidiaries and the related carrying amounts:

Financial Subsidiaries	Current Period	Prior Period
Banks	1.001.896	886.070
Insurance companies	-	-
Factoring companies	202.791	195.856
Leasing companies	1.671.023	1.498.228
Finance companies	-	-
Other financial subsidiaries	1.059.315	1.034.282
Total financial subsidiaries	3.935.025	3.614.436

(v). Subsidiaries quoted on stock exchange:

None (December 31, 2015 - None)

i. Information on joint ventures (net):

1. Unconsolidated joint ventures: None.

2. Consolidated joint ventures:

(i). Information on consolidated Joint Ventures:

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	104.490	64.226	49.426	55.064	8.488	27.102	(33.380)
Total	30,45	30,45	104.490	64.226	49.426	55.064	8.488	27.102	(33.380)

i. Information on lease receivables (net):

1. Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2.634.951	2.160.247	2.339.085	1.917.198
Between 1- 4 years	4.586.438	3.836.780	4.262.288	3.557.981
More than 4 years	1.544.507	1.384.231	1.536.136	1.387.082
Total	8.765.896	7.381.258	8.137.509	6.862.261

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

2. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	2.225.259	6.540.637	2.037.181	6.100.328
Unearned financial income from leases (-)	(506.086)	(878.552)	(422.420)	(852.828)
Amount of cancelled leases (-)	-	-	-	-
Total	1.719.173	5.662.085	1.614.761	5.247.500

j. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	151.272	-	257.144	-
Cash flow hedge ⁽¹⁾	336.399	2	697.629	6.268
Foreign net investment hedge	-	-	-	-
Total	487.671	2	954.773	6.268

(1) Explained in the note XI of Section IV.

k. Information on tangible assets:

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

l. Information on intangible assets:

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

m. Information on investment property:

None (December 31, 2015 - None).

n. Information on deferred tax asset:

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

o. Movement schedule of assets held for resale and related to discontinued operations:

	Current Period	Prior Period
Net book value at the beginning of the period	153.922	155.485
Additions	75.492	71.898
Transfers	-	-
Disposals (-), net	(43.652)	(68.679)
Impairment provision reversal	1.681	560
Impairment provision (-)	(329)	(400)
Depreciation (-)	(4.065)	(5.149)
Translation differences	12	207
Net book value at the end of the period	183.061	153.922
Cost at the end of the period	198.892	169.035
Accumulated depreciation at the end of the period (-)	(15.831)	(15.113)
Net book value at the end of the period	183.061	153.922

As of September 30, 2016, the Group booked impairment provision on assets held for resale with an amount of TL 6.486 (December 31, 2015 - TL 7.838).

ö. Information on other assets:

As of September 30, 2016, other assets do not exceed 10% of the total assets.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

II. Explanations and notes related to consolidated liabilities:

a. Information on deposits:

1. Information on maturity structure of deposits/collected funds:

(i). Current Period:

	Demand	With 7 days notifications	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year and over	Cumulative Deposits	Total
Saving deposits	5.451.304	-	1.432.933	30.589.964	1.449.976	216.637	182.850	223	39.323.887
Foreign currency deposits	10.689.684	48.098	9.406.132	30.372.315	2.815.313	4.064.758	2.712.668	-	60.108.968
Residents in Turkey	9.529.708	8.723	9.337.246	30.084.682	2.725.677	3.823.702	1.270.759	-	56.780.497
Residents abroad	1.159.976	39.375	68.886	287.633	89.636	241.056	1.441.909	-	3.328.471
Public sector deposits	1.115.508	-	91	8.201	6	71	58	-	1.123.935
Commercial deposits	4.811.460	-	1.280.956	18.726.571	4.521.138	728.275	555.512	-	30.623.912
Other institutions deposits	90.461	-	55.299	2.045.284	311.610	436.599	627	-	2.939.880
Precious metals vault	319.366	-	71.571	138.203	16.941	25.036	7.218	-	578.335
Bank deposits	276.265	7.860	1.650.326	996.313	530.266	356.294	81.093	-	3.898.417
The CBRT	6.414	-	-	-	-	-	-	-	6.414
Domestic banks	2.514	-	1.411.328	364.685	139.878	53.866	2.094	-	1.974.365
Foreign banks	155.423	7.860	238.998	631.628	390.388	302.428	78.999	-	1.805.724
Participation banks	111.914	-	-	-	-	-	-	-	111.914
Other	-	-	-	-	-	-	-	-	-
Total	22.754.048	55.958	13.897.308	82.876.851	9.645.250	5.827.670	3.540.026	223	138.597.334

(ii). Prior Period:

	Demand	With 7 days notifications	Up to 1 month	1-3 Month	3-6 Month	6 Month- 1 Year	1 Year and over	Cumulative Deposits	Total
Saving deposits	4.219.828	292	1.342.831	26.878.250	806.474	127.203	187.905	-	33.562.783
Foreign currency deposits	9.680.582	16.477	7.748.761	30.615.266	4.731.711	4.755.724	2.938.619	-	60.487.140
Residents in Turkey	8.654.417	8.900	7.710.165	29.872.663	3.009.199	707.224	1.177.571	-	51.140.139
Residents abroad	1.026.165	7.577	38.596	742.603	1.722.512	4.048.500	1.761.048	-	9.347.001
Public sector deposits	833.607	-	70	72.690	71	660	77	-	907.175
Commercial deposits	4.806.847	-	4.143.763	15.441.255	732.772	139.680	638.898	-	25.903.215
Other institutions deposits	91.538	-	62.089	2.592.019	320.813	402.005	1.190	-	3.469.654
Precious metals vault	329.584	-	5.828	59.963	26.188	33.296	123.920	-	578.779
Bank deposits	349.936	8.215	3.102.799	739.430	202.185	662.035	51.719	-	5.116.319
The CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	1.854	-	2.886.157	365.081	-	-	-	-	3.253.092
Foreign banks	23.581	8.215	216.642	374.349	202.185	662.035	51.719	-	1.538.726
Participation banks	324.501	-	-	-	-	-	-	-	324.501
Other	-	-	-	-	-	-	-	-	-
Total	20.311.922	24.984	16.406.141	76.398.873	6.820.214	6.120.603	3.942.328	-	130.025.065

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Explanations and notes related to consolidated financial statements (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:

Saving deposits ⁽¹⁾	Under the guarantee of deposit insurance		Exceeding the limit of the insurance deposit	
	Current period	Prior period	Current period	Prior period
Saving deposits	20.085.358	17.037.310	19.292.684	16.965.778
Foreign currency savings deposit	6.880.012	6.632.647	19.555.068	17.764.322
Other deposits in the form of savings deposits	223.727	241.329	302.302	277.182
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

(1) The balances from foreign subsidiaries, calculated in accordance with their own regulation, are included.

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

	Current Period	Prior Period
Foreign branches' deposits and other accounts	5.652	5.495
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	277.635	132.362
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

b. Information on trading derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	119.254	-	97.011	156
Swap transactions ⁽¹⁾	590.871	472.385	1.422.269	284.342
Futures transactions	-	-	-	-
Options	39.816	20.858	105.182	13.448
Other	-	-	-	-
Total	749.941	493.243	1.624.462	297.946

(1) Includes Credit Default Swaps

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Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

c. Information on borrowings:

1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	361.450	1.255.635	730.154	1.247.208
From foreign banks, institutions and funds	379.740	24.809.268	541.887	22.341.730
Total	741.190	26.064.903	1.272.041	23.588.938

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	120.402	2.229.560	772.974	1.204.093
Medium and long-term	620.788	23.835.343	499.067	22.384.845
Total	741.190	26.064.903	1.272.041	23.588.938

ç. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.865.265	114.413	2.106.752	451.305
Asset backed securities ^{(1), (2)}	-	5.716.061	-	6.083.274
Bonds	2.439.770	6.400.794	2.093.611	6.437.951
Collateralized securities	294.037	-	288.650	-
Total	4.305.035	12.231.268	4.200.363	12.972.530

(1) The Parent Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TAS 39 paragraph 9. As of September 30, 2016, the total amount of financial liabilities classified as fair value through profit/loss is TL 3.501.704 (December 31, 2015 - TL 3.394.985) with an accrued interest income of TL 81.393 (December 31, 2015 - TL 82.505) and with a fair value difference of TL 1.129 recognized in the income statement as an expense (December 31, 2015 - TL 96.945 income). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of September 30, 2016 are TL 3.433.301 (December 31, 2015: TL 3.332.109) for buy legs and TL 3.433.301 (December 31, 2015: TL 3.332.109) for sell legs with a fair value differences amounting to TL 82.195 (December 31, 2015: 82.870 TL). The mentioned total return swaps have 10 year maturity in average.

(2) The Group obtains borrowings via its structured entity, Diversified Payment Rights Finance Company, with securitization transactions which is founded on its future money transfers within its funding programme.

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

Explanations and notes related to consolidated financial statements (continued)

d. Information on other liabilities:

As of September 30, 2016, other liabilities do not exceed 10% of the total balance sheet commitments.

e. Information on lease payables:

1. Information on financial leasing agreements:

None (December 31, 2015 - None).

2. Information on operational leasing agreements:

The Parent Bank enters into operational leasing agreements annually for some of its branches and ATMs. The leases are prepaid and accounted as prepaid expenses under "Other Assets".

f. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	21.067	205	3.926	305
Cash flow hedge ⁽¹⁾	344.862	236.626	35.387	108.660
Foreign net investment hedge	-	-	-	-
Total	365.929	236.831	39.313	108.965

(1) Explained in Note XI. of Section IV.

g. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
I. Provisions for first group loans and receivables	2.309.615	2.091.893
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	144.255	85.758
II. Provisions for second group loans and receivables	291.862	213.075
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	91.905	57.504
Provisions for non-cash loans	97.830	89.448
Other	229.771	232.855
Total	2.929.078	2.627.271

2. Information on reserve for employee rights:

In accordance with Turkish Labour Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. TAS 19 necessitates actuarial valuation methods to calculate the liabilities of enterprises.

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Explanations and notes related to consolidated financial statements (continued)

The following actuarial assumptions were used in the calculation of total liabilities:

	Current Period	Prior Period
Discount rate (%)	4,60	4,60
Possibility of being eligible for retirement (%)	93,89	93,89

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 4.297,21 effective from July 1, 2016 (January 1, 2016 - full TL 4.092,53) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	141.388	141.134
Changes during the period	13.889	49.143
Recognized in equity	-	(20.478)
Paid during the period	(29.382)	(28.238)
Foreign currency differences	396	(173)
Balance at the end of the period	126.291	141.388

In addition, the Group has accounted for unused vacation rights provision amounting to TL 158.810 as of September 30, 2016 (December 31, 2015 - TL 159.125).

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

As of September 30, 2016, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 3.282 (December 31, 2015 - TL 30.295). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

4. Other provisions:

(i) Information on other provisions:

	Current Period	Prior Period
Pension fund provision	574.249	574.249
Provisions on unindemnified non cash loans	142.284	105.932
Provisions on credit cards and promotion campaigns related to banking services	41.982	38.678
Other	359.775	336.343
Total	1.118.290	1.055.202

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Explanations and notes related to consolidated financial statements (continued)

(ii) General reserves for possible losses:

	Current Period	Prior Period
General reserves for possible losses	50.000	-
Total	50.000	-

5. Pension fund provision:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

ğ. Information on taxes payable:

(i) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	217.996	195.493
Taxation of Marketable Securities	117.329	111.321
Property Tax	3.035	2.795
Banking Insurance Transaction Tax ("BITT")	95.255	107.141
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	4.504	13.240
Other	35.645	39.413
Total	473.764	469.403

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	379	312
Social security premiums - employer	443	364
Bank pension fund premiums - employee	16.253	13.473
Bank pension fund premiums - employer	16.768	13.921
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.160	961
Unemployment insurance - employer	2.320	1.922
Other	-	-
Total	37.323	30.953

(iii) Information on deferred tax liability:

There is a deferred tax liability amounting to TL 7.833 reflected in the consolidated financial statements after the deferred tax assets and liabilities of each entity in consolidation has been netted off in their standalone financial statements as per TAS 12 (December 31, 2015 – TL 119.097).

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

h. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	7.728.089	-	6.635.191
From other foreign institutions	-	-	-	-
Total	-	7.728.089	-	6.635.191

(1) Subordinated loans are explained in detail in Note "Details on Subordinated Liabilities" of Section Four.

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Explanations and notes related to consolidated financial statements (continued)

I. Information on shareholders' equity:

1. Presentation of paid-in capital

	Current Period	Prior Period
Common stock	4.347.051	4.347.051
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:

The Parent Bank's paid-in-capital is amounting to TL 4.347.051 and in accordance with the decision taken in the Ordinary General Assembly at April 7, 2008, the Parent Bank has switched to the registered capital system and the registered share capital ceiling is TL 10.000.000.

3. Information on the share capital increases during the period and the sources:
None (December 31, 2015 - None).

4. Information on transfers from capital reserves to capital during the current period: None.

5. Information on capital commitments, until the end of the fiscal year and the subsequent interim period: None.

6. Information on prior period's indicators on the Group's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators:

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

7. Privileges on the corporate stock: None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

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Explanations and notes related to consolidated financial statements (continued)

8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference	-	-	-	-
Foreign currency difference	-	-	-	-
Available for sale securities ⁽¹⁾	(99.503)	14.607	(546.402)	261.490
Valuation differences	(99.503)	14.607	(546.402)	261.490
Foreign currency differences	-	-	-	-
Total	(99.503)	14.607	(546.402)	261.490

(1) Includes tax effect of foreign currency valuation differences.

i. Information on minority interest:

	Current Period	Prior Period
Period opening balance	474	462
Current period income/(loss)	46	45
Dividends paid	(37)	(41)
Translation differences	-	8
Period ending balance	483	474

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Explanations and notes related to consolidated financial statements (continued)

III. Explanations and notes related to consolidated off-balance sheet accounts

a. Information on off balance sheet commitments:

1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	29.311.973	28.304.464
Loan granting commitments	8.198.844	9.085.013
Commitments for cheques	6.652.329	6.521.085
Other irrevocable commitments	22.681.493	35.009.478
Total	66.844.639	78.920.040

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Group set aside general provision for its non-cash loans amounting to TL 97.830 (December 31, 2015 - TL 89.448) and specific provision amounting to TL 839.518 (December 31, 2015 - TL 597.477) for non-cash loans which are not indemnified yet amounting to TL 142.284 (December 31, 2015 - TL 105.932).

- (i). Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank acceptance loans	175.571	173.524
Letter of credits	8.243.792	8.043.863
Other guarantees and collaterals	5.374.706	4.255.807
Total	13.794.069	12.473.194

- (ii). Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.497.923	1.926.929
Definite letter of guarantees	32.836.389	31.839.457
Advance letter of guarantees	7.098.269	5.556.443
Letter of guarantees given to customs	2.353.703	2.016.807
Other letter of guarantees	4.631.310	3.831.366
Total	49.417.594	45.171.002

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Notes to consolidated financial statements as of September 30, 2016

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Explanations and notes related to consolidated financial statements (continued)

3. Information on non-cash loans

(i). Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	4.328.650	3.496.922
With original maturity of 1 year or less than 1 year	874.783	465.353
With original maturity of more than 1 year	3.453.867	3.031.569
Other non-cash loans	58.883.013	54.147.274
Total	63.211.663	57.644.196

(ii) Information on sectoral concentration of non-cash loans:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

(iii) Information on non-cash loans classified in Group I. and Group II:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

(iv) Maturity distribution of non cash loans

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

b. Information on derivative financial instruments:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

c. Information on credit derivatives and risk exposures:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

ç. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 66.285 (December 31, 2015 – TL 64.875) for litigations against the Group and has accounted for it in accompanying consolidated the financial statements under the "Other provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee any cash outflows for such claim.

d. Information on services in the name and account of others:

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

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Notes to consolidated financial statements as of September 30, 2016

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Explanations and notes related to consolidated financial statements (continued)

IV. Explanations and notes related to consolidated income statement:

a. Information on interest income:

1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	3.895.871	293.407	3.606.528	235.306
Medium/long-term loans ⁽¹⁾	5.222.540	2.089.597	3.948.102	1.728.558
Interest on loans under follow-up	62.421	136	57.092	54
Premiums received from resource utilisation support fund	-	-	-	-
Total	9.180.832	2.383.140	7.611.722	1.963.918

(1) Includes fees and commissions received for cash loans.

2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	-	11	-	-
From domestic banks	101.066	924	50.873	2.678
From foreign banks	1.757	22.337	2.418	10.723
Headquarters and branches abroad	-	-	-	-
Total	102.823	23.272	53.291	13.401

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	3.716	879	7.484	1.007
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	1.158.070	143.006	1.181.205	150.060
From held-to-maturity investments	297.658	235.720	132.501	176.027
Total	1.459.444	379.605	1.321.190	327.094

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

	Current Period	Prior Period
Interests received from associates and subsidiaries	720	2.109

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Explanations and notes related to consolidated financial statements (continued)

b. Information on interest expense:

1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	64.247	569.120	123.918	585.187
The CBRT	-	-	-	-
Domestic banks	26.711	27.131	69.578	27.315
Foreign banks	37.536	541.989	54.340	557.872
Headquarters and branches abroad	-	-	-	-
Other institutions	102	112.159	94	74.115
Total⁽¹⁾	64.349	681.279	124.012	659.302

(1) Includes fees and commissions related to borrowings.

2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	2.331	1.810

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	327.274	377.516	244.426	359.580
Total	327.274	377.516	244.426	359.580

4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year	Cumulative deposit	Total	Prior Period
TL									
Bank deposit	144	107.812	2.942	-	93	94	2	111.087	53.688
Saving deposit	1	89.771	2.386.895	112.704	11.067	12.416	-	2.612.854	2.008.476
Public sector deposit	-	342	5.656	103	26	4	-	6.131	5.154
Commercial deposit	22	151.704	1.382.728	236.310	45.755	37.307	-	1.853.826	1.405.206
Other deposit	-	9.232	349.033	32.532	29.296	34	-	420.127	440.619
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	167	358.861	4.127.254	381.649	86.237	49.855	2	5.004.025	3.913.143
FC									
Foreign currency deposit	753	143.197	505.896	47.911	33.624	53.889	-	785.270	704.326
Bank deposit	1	9.438	13.368	6.092	6.339	1.619	-	36.857	24.651
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	387	826	67	110	56	-	1.446	1.476
Total	754	153.022	520.090	54.070	40.073	55.564	-	823.573	730.453
Grand total	921	511.883	4.647.344	435.719	126.310	105.419	2	5.827.598	4.643.596

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Explanations and notes related to consolidated financial statements (continued)

c. Information on dividend income:

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

ç. Information on trading gain/loss (net):

	Current Period	Prior Period
Gain	21.275.834	37.660.237
Gain from capital market transactions	130.589	216.960
Derivative financial transaction gains	7.441.507	15.169.287
Foreign exchange gains	13.703.738	22.273.990
Loss(-)	(21.125.123)	(38.046.555)
Loss from capital market transactions	(101.667)	(47.844)
Derivative financial transaction losses	(8.219.413)	(13.607.189)
Foreign exchange loss	(12.804.043)	(24.391.522)
Net gain/loss	150.711	(386.318)

d. Information on gain/loss from derivative financial transactions:

The amount of net income from derivative financial transactions related to exchange rate changes is TL 714.702 loss (September 30, 2015 - TL 2.184.524 profit).

e. Information on other operating income:

Other operating income mainly results from the collections and reversals from specific/generic provisions recorded in prior years and gain from the sale of Visa Europe to Visa Inc. amounting to TL 235.165.

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Explanations and notes related to consolidated financial statements (continued)

f. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	1.570.252	1.213.067
III. Group loans and receivables	45.180	33.023
IV. Group loans and receivables	176.610	185.227
V. Group loans and receivables	1.348.462	994.817
General provision expenses	323.292	622.117
Provision expense for possible risks	50.000	-
Marketable securities impairment expenses ⁽¹⁾	35.361	60.072
Financial assets at fair value through profit or loss	700	870
Available-for-sale financial assets	34.661	59.202
Impairment of investments in associates, subsidiaries and held-to-maturity securities	53.996	26.600
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	53.996	26.600
Other	34.046	30.797
Total	2.066.947	1.952.653

(1) Includes amortisation of the premiums paid and amortised cost during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

g. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	1.547.729	1.455.792
Reserve for employee termination benefits	3.250	8.565
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	1.492
Depreciation expenses of property and equipment	175.103	159.756
Impairment expenses of intangible assets	13	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	92.495	98.753
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	329	277
Depreciation expenses of assets held for resale	4.065	3.857
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.424.243	1.164.810
Operational lease expenses	201.897	179.610
Repair and maintenance expenses	75.566	65.927
Advertising expenses	84.580	87.790
Other expense	1.062.200	831.483
Loss on sales of assets	13	52
Other	692.597	767.513
Total	3.939.837	3.660.867

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Explanations and notes related to consolidated financial statements (continued)

ğ. Explanations on income/loss from continuing operations and discontinued operations before tax:

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

h. Provision for taxes on income from continuing operations and discontinued operations:

As of September 30, 2016, the Group has current tax expense amounting to TL 711.128 (September 30, 2015 - TL 86.404) and deferred tax income amounting to TL 67.080 (September 30, 2015 - TL 352.192 deferred tax expense) from continuing operations.

i. Information on net income/loss for the period:

1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the Group's current period performance.
2. Information on any change in the accounting estimates concerning the current period or future periods: None

i. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	46	41

j. Other items in income statement:

"Other fees and commissions received" in income statement mainly includes commissions and fees from credit cards and banking transactions.

V. Explanations and notes related to consolidated statement of changes in shareholders' equity

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

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Explanations and notes related to consolidated financial statements (continued)

VI. Explanations and notes related to consolidated statement of cash flows

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

VII. Explanations and notes related to Group's merger, transfers and companies acquired by Bank

None.

VIII. Explanations and notes related to Group's risk group

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

1. Information on loans of the Group's risk group:

Current Period	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Group's risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	33.816	10.388	106.881	954.585	1.688.868	2.440.007
Balance at the end of the period	7.303	8.538	293.320	1.383.898	1.769.237	2.693.325
Interest and commission income received	720	88	2.857	5.487	179.969	8.053

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes loans and due from banks as well as marketable securities.

Prior Period	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
Group's risk group ⁽¹⁾⁽²⁾						
Loans and other receivables						
Balance at the beginning of the period	88.339	5.916	47.956	536.763	1.320.617	2.117.169
Balance at the end of the period	33.816	10.388	106.881	954.585	1.688.868	2.440.007
Interest and commission income received ⁽³⁾	2.109	74	11.650	4.062	145.012	6.757

(1) Defined in subsection 2 of the 49th article of Banking Act No. 5411.

(2) The information in table above includes loans and due from banks as well as marketable securities.

(3) Prior period total profit/loss amounts disclosed above shows September 30, 2015 results.

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

Group's risk group ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Beginning of the period	82.069	121.840	19.927.462	13.660.682	5.148.413	10.291.156
End of the period	124.313	82.069	26.077.848	19.927.462	12.797.866	5.148.413
Interest expense on deposits ⁽³⁾	2.331	1.810	818.813	642.782	399.205	286.088

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The information in table above includes borrowings, marketable securities issued and repo transactions as well as deposits.

(3) Prior period total profit/loss amounts disclosed above for prior periods shows September 30, 2015 results.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Explanations and notes related to consolidated financial statements (continued)

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

Group's risk group ⁽¹⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss ⁽²⁾						
Beginning of the period ⁽³⁾	-	-	1.455.484	150.569	146.778	879.327
End of the period ⁽³⁾	-	-	2.166.612	1.455.484	1.373.154	146.778
Total profit / loss ⁽⁴⁾	(8.145)	(2.850)	(61.482)	(78.613)	21.961	28.930
Transactions for hedging purposes ⁽²⁾						
Beginning of the period ⁽³⁾	-	-	-	-	-	-
End of the period ⁽³⁾	-	-	-	-	-	-
Total profit / loss ⁽⁴⁾	-	-	-	-	-	-

(1) Defined in subsection 2 of the 49th article of the Banking Act No. 5411.

(2) The Bank's derivative instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivative financial instruments held for hedging" according to TAS 39.

(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivative financial instruments.

(4) Financial statement information disclosed above shows September 30, 2015 results.

b. Information regarding benefits provided to the Group's top management:

Salaries and benefits paid to the Group's top management amount to TL 46.034 as of September 30, 2016 (September 30, 2015 - TL 41.917).

IX. Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank:

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim periods.

X. Explanations and notes related to subsequent events

An application is made to BRSA for the transfer of the UniCredit Bank Austria AG's ("UCBA") shares in KFS, the main shareholder of the Bank, to UniCredit SPA which indirectly owns the 50% of KFS and directly owns all the shares of UCBA. The transfer was approved and completed on September 30, 2016. Before the aforementioned transaction UniCredit SPA had indirectly owned 50% of KFS, and after the transaction UniCredit SPA directly owns the 50% of KFS.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see note I. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Section Six

Explanations on review report

I. Explanations on auditor's report

The consolidated financial statements for the period ended September 30, 2016 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's review report dated November 2, 2016 is presented preceding the consolidated financial statements.

II. Explanations and notes prepared by independent auditor

None.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

Section Seven⁽¹⁾

1. Message from Yapı Kredi's Board of Directors Chairman Y. Ali Koç:

The operating environment remained volatile in the third quarter of 2016. During this period, the banking sector remained resilient thanks to swift and decisive action by the Central Bank and the Banking Regulation and Supervision Agency.

Total loans in the banking sector reached TL 1.552 billion indicating 9% year-to-date growth. During the same period, total deposits reached TL 1.345 billion, indicating 8% year-to-date growth. Accordingly, the sector's loan to deposit ratio including TL bonds remained relatively stable at 112%. Asset quality displayed some deterioration due to the challenging market conditions in the first nine months. The banking sector non-performing loan ratio increased by 32 basis points year-to-date to 3,3%, also supported by non-performing loan sales of TL 2,3 billion.

In the first nine months of 2016, Yapı Kredi's capital position improved. At the same time, the Bank maintained its healthy liquidity profile and market positioning. In October, the Bank successfully refinanced its syndicated loan with 96% roll-over ratio. The loan facility has US\$233,5 million and €817,3 million tranches with a cost of Libor+1,10% and Euribor+1,00%. Through this funding, the Bank confirmed once again its strong financial position and reputation in the international arena.

Yapı Kredi continued to be crowned with important awards in the third quarter. Euromoney named Yapı Kredi as "Best Cash Manager in Turkey" for the second time in a row. Yapı Kredi Banking Academy garnered a bronze award at Brandon Hall Group's "Excellence in Learning 2016" awards. In the field of digital banking, which is a core focus area for the Bank, Yapı Kredi was honoured with ten different awards at the "Global Finance Digital Banking Awards", "Interactive Media Awards" and "Stevie Awards".

I would hereby like to extend my thanks to all our customers and shareholders for their continuous support and trust, and our employees for their devoted efforts.

Y. Ali Koç
Chairman of the Board

(1) Unless otherwise stated, amounts expressed in Section Seven are full Turkish Lira ("TL")

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

2. Message from Yapı Kredi's CEO Faik Açıkalın:

The third quarter of 2016 posed a challenging operating environment. During this period, credit rating downgrades of Turkey by Standard & Poors and Moody's affected foreign investor sentiment. However, the Central Bank of Turkey's proactive and accommodative approach helped support the market by providing ample liquidity. So far this year, the Central Bank of Turkey has reduced the upper band rate by 250 basis points thereby supporting economic growth. Meanwhile, the Banking Regulation and Supervision Agency also helped support the market by easing some of the macro-prudential measures on the banking sector. As a result, Turkey continues to maintain its strong fundamentals.

During this period, Yapı Kredi continued implementing its strategy at full force and recorded a successful performance. The Bank's unconsolidated Capital Adequacy Ratio rose to 15,0% and net income was recorded at TL 2,4 billion in the first nine months of the year.

In terms of lending, Yapı Kredi's loan growth was aligned with private banks at 6% year-to-date and market share was maintained at 16,0% among private banks. The Bank maintained its leadership position in credit cards with 21,9% outstanding volume market share. During the same period, deposit growth outpaced loan growth and demonstrated 7% year-to-date growth, aligned with private banks. Accordingly, the loan to deposit ratio including TL bonds improved one percentage point to 113% compared to 2015 year-end.

On the other hand, Yapı Kredi continued to support projects that are critical for Turkey's development. The Bank's project finance loans increased by 13% year-to-date as it provided large-scale financing to important projects such as Gebze Izmir Highway, Yavuz Sultan Selim Bridge and Galataport project. Five different projects developed and financed by Yapı Kredi were deemed worthy of awards in 6 different categories by EMEA Finance magazine.

I would like to take this opportunity to thank our customers and shareholders for their trust and our employees for their continuous efforts.

H. Faik Açıkalın

CEO

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

3. Overview of Financial Performance:

On 2 November 2016, Yapı Kredi announced consolidated results for the first nine months of 2016 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 224,8 billion while total deposits rose to TL 138,6 billion. The Bank's unconsolidated Capital Adequacy Ratio rose to 15,0% and consolidated net income was recorded as TL 2,4 billion.

Ensued volume growth

Yapı Kredi's market share among private banks in both loans and deposits remained stable in the first nine months of 2016 and was realised as 16,0% and 15,3%, respectively.

The Bank recorded 6% year-to-date growth in loans in line with private banks, to TL 161,6 billion. The Bank's deposit growth was slightly higher than loan growth at 7% year-to-date in line with private banks, to TL 138,6 billion. Demand deposits, a strong focus area for the bank, increased by 12% year-to-date compared to 8% growth among private banks. As a result, the Bank was able to lower its loan-to-deposits plus TL bonds ratio to 113% compared to the end of 2015 at 114%, thanks to faster growth in deposits compared to loans.

In terms of funding, the Bank successfully renewed its syndicated loan in October 2016 with the participation of 33 banks from 14 countries and a roll over ratio of 96%. The loan facility has US\$233.5 million and €817.3 million tranches with a cost of Libor+1.10% and Euribor+1.00% per annum.

Continued improvement in capital ratios

The capitalization of the Bank improved during this period. On a bank-only basis, Capital Adequacy Ratio increased by 118 basis points year-to-date to 15,0% and Common Equity Tier-1 ratio increased by 77 basis points year-to-date to 11,5%.

Core banking driven strong performance

In the first nine months of 2016, Yapı Kredi increased its total revenues by 23% year-over-year, in line with sector. On the other hand, continued discipline in cost management was evident with cost growth of 8%. Accordingly, cost/income ratio was realised at 44%.

Asset quality resilient in the context of the macroeconomic environment

Parallel to the banking sector, Yapı Kredi's asset quality was impacted by the volatile operating environment in the third quarter of 2016. Accordingly non-performing loans ratio was realized at 4,7% and specific coverage ratio at 77%.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

4. Summary of Consolidated Financials

TL million	30.09.2016	31.12.2015
Total Assets	248.109	235.268
Total Loans	161.620	152.489
Total Deposits	138.597	130.025
Shareholder's Equity	25.024	23.086
Loans/ Assets	65%	65%
Deposits/Assets	56%	55%
NPL	4,7%	3,9%
CAR	13,92%	12,91%

TL million	30.09.2016	30.09.2015
Net Profit	2.363	1.274
Return on Average Tangible Equity	14,0%	8,6%

5. Important Developments and Transactions Affecting the Bank's Financial Performance:

- On 22 July 2016, Standard & Poors downgraded Yapı Kredi's Long-Term Counterparty ratings to BB from BB+ and Long-Term Turkey National Scale rating to trAA- from trAA+, following the downgrade of Turkey's sovereign rating. The Bank's Short-Term Counterparty rating was affirmed as B and Short-Term Turkey National Scale rating was affirmed as trA-1. The Bank's credit rating outlook was downgraded to Negative from Stable
- On 27 September 2016, Moody's downgraded the Long-Term Debt and Deposit ratings of 14 Turkish financial institutions following the downgrade of Turkish government's debt rating to Ba1 from Baa3 on 23 September 2016. Accordingly, the Foreign Currency Long-Term Debt and Local Currency Deposit ratings of Yapı Kredi were downgraded to Ba1 from Baa3, with a Stable outlook. The Bank's Foreign Currency Deposit rating was downgraded to Ba2 from Baa3. The Baseline Credit Assessment (BCA) was downgraded to ba2 from ba1. The Bank's Short-Term Local and Foreign Currency Deposit ratings were downgraded to Not-Prime from P-3
- On 4 October 2016, the Bank signed a 367-day syndicated loan agreement with the participation of 33 banks from 14 different countries (US\$233,5 million and €817,3 million with a cost of Libor+1,10%/Euribor+1,00%.) with a roll over ratio of 96%
- On 21 October 2016, the Bank established a new financing program which will enable the Bank to issue mortgage covered bonds outside Turkey, up to €1 billion or its equivalent in other currencies or Turkish Lira in various formats and maturities

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 30, 2016

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

6. Current Trends and Expectations for the Upcoming Period:

2016 macro and banking sector expectations:

- GDP growth: ~3% (decreased from ~3,5%)
- Inflation (year-end): ~8% (increased from ~7%/8%)
- Loan growth: ~10%-11% (decreased from ~13%)
- Deposit growth: ~11%
- Net Interest Margin: Flat vs 2015
- Non-Performing Loan ratio: +50/60 basis points vs 2015 (from +40 basis points)

2016 Yapı Kredi expectations:

- Loan growth: Volume growth relatively aligned with private banks. Continued outperformance in value generating areas
- Funding: Deposit growth aligned with loan growth. Ongoing access to wholesale funding
- Revenues: Net interest margin trend in line with sector, supported by effective pricing. Low-teens fee growth excluding impact of account maintenance fee cancellation
- Costs: Relatively aligned with inflation, leveraging on digitalisation
- Asset Quality: Conservative risk approach with non-performing loans ratio evolution relatively aligned with sector; Cost of Risk stable/slightly down. Strong focus on collections with system enhancements and dedicated approach