

Yapı ve Kredi Bankası A.Ş.

**Publicly announced consolidated financial statements and
related disclosures at June 30, 2017 together with
auditor's review report**

**(Convenience translation of publicly announced consolidated financial
statements and independent auditor's report originally issued in Turkish, See
Note 1. of Section three)**



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the consolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2017 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 six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information 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 information does not present fairly in all material respects the financial position of Yapı ve Kredi Bankası A.Ş. and its consolidated subsidiaries at 30 June 2017 and of the results of its operations and its cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other Matter

The consolidated financial statements of the Bank and its consolidated subsidiaries as at 31 December 2016 were audited by another auditor whose report dated 2 February 2017 expressed an unqualified opinion.

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 Seven, is not consistent with the reviewed consolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three 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.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Halûk Yalçın, SMMM
Partner

Istanbul, 1 August 2017

Convenience translation of publicly announced consolidated financial statements and audit 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 JUNE 30, 2017

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

Although Yapı 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 six months and notes to these financial statements which are expressed, in thousands of Turkish Lira, (unless otherwise stated) 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 reviewed and are presented enclosed.


Y. Ali KOÇ
Chairman of the
Board of Directors


H. Faik AÇIKALIN
Chief Executive Officer


Massimo FRANCESE
Chief Financial Officer


B. Seda İKİZLER
Financial Reporting and
Accounting Executive
Vice President


Wolfgang SCHILK
Chairman of Audit Committee


Adil G. ÖZTÖRK
Member of Audit Committee

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

Name-Surname / Title : Umut HALLAÇ / International Reporting & Consolidation Manager
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Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of June 30, 2017

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

Section One - General Information

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

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.

2. 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 June 30, 2017, almost 18,20% of the shares of the Bank are publicly traded (December 31, 2016, - 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.

3. 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 June 30, 2017 the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of June 30, 2017

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

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
F. Füsün Akkal BOZOK	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Giuseppe SCOGNAMIGLIO	Member
Levent ÇAKIROĞLU	Member
Mirko D.G. BIANCHI	Member
Wolfgang SCHILK	Independent Member

Audit Committee Members:

Name	Responsibility
Wolfgang SCHILK	Chairman
Adil Giray ÖZTOPRAK	Member
Giovanna VILLA	Member

General Manager and Deputy General Manager:

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

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
Giovanni Battista AVANZI	Internal Audit / Chief Audit Executive
Massimo FRANCESE	Financial Planning and Financial Affairs 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
Yakup DOĞAN	Alternative Distribution Channels Management
Zeynep Nazan SOMER ÖZELGİN	Retail Banking Management

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of June 30, 2017

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

4. 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.

5. 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.

As of June 30, 2017, the Parent Bank has 907 branches operating in Turkey and 1 branch in overseas (December 31, 2016 - 935 branches operating in Turkey, 1 branch in overseas).

As of June 30, 2017, the Parent Bank has 18.406 employees (December 31, 2016 - 18.366 employees). The Parent Bank together with its consolidated subsidiaries is referred to as the "Group" in these consolidated financial statements. As of June 30, 2017 the Group has 19.391 employees (December 31, 2016 - 19.419 employees).

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of June 30, 2017

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

6. 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 of the Preparation Consolidated Financial Statements 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.

7. 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 in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of June 30, 2017 and December 31, 2016

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

Section two - Consolidated financial statements

1. Consolidated balance sheet (Statement of Financial Position)

Assets	Note (Section Five)	Current Period (30/06/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	1.1	4.159.508	30.678.744	34.838.252	9.051.439	24.031.856	33.083.295
II. Financial assets at fair value through profit or (loss) (net)	1.2	1.757.561	457.569	2.215.130	2.629.996	410.834	3.040.830
2.1 Trading financial assets		1.757.561	457.569	2.215.130	2.629.996	410.834	3.040.830
2.1.1 Government debt securities		14.611	17.806	32.417	18.888	17.825	36.713
2.1.2 Share certificates		24.943	-	24.943	6.635	-	6.635
2.1.3 Derivative financial assets held for trading	1.3	1.711.261	439.763	2.151.024	2.604.473	393.009	2.997.482
2.1.4 Other marketable securities		6.746	-	6.746	-	-	-
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	1.4	1.714.106	3.101.384	4.815.490	43.137	3.405.829	3.448.966
IV. Money markets		238.798	20.015	258.813	252	-	252
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		238.725	20.015	258.740	-	-	-
4.3 Receivables from reverse repurchase agreements		73	-	73	252	-	252
V. Financial assets available-for-sale (net)	1.5,6	17.803.083	2.831.626	20.634.709	15.239.585	3.146.524	18.386.109
5.1 Share certificates		45.541	74.479	120.020	44.258	62.485	106.743
5.2 Government debt securities		17.018.774	1.378.619	18.397.393	14.431.742	1.620.631	16.052.373
5.3 Other marketable securities		738.768	1.378.528	2.117.296	763.585	1.463.408	2.226.993
VI. Loans and receivables	1.7	118.205.479	69.641.376	187.846.855	107.994.217	70.670.205	178.664.422
6.1 Loans and receivables		116.256.194	69.580.701	185.836.895	105.876.257	70.609.580	176.485.837
6.1.1 Loans to bank's risk group		1.669.532	1.081.664	2.751.196	1.608.647	993.427	2.602.074
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		114.586.662	68.499.037	183.085.699	104.267.610	69.616.153	173.883.763
6.2 Loans under follow-up		8.235.091	147.827	8.382.918	8.706.143	143.024	8.849.167
6.3 Specific provisions (-)		(6.285.806)	(87.152)	(6.372.958)	(6.588.183)	(82.399)	(6.670.582)
VII. Factoring receivables		1.337.932	1.694.703	3.032.635	1.240.811	1.653.468	2.894.279
VIII. Held-to-maturity investments (net)	1.8	4.889.797	6.827.270	11.717.067	4.831.667	6.757.223	11.588.890
8.1 Government debt securities		4.889.797	5.994.578	10.884.375	4.831.667	5.957.387	10.789.054
8.2 Other marketable securities		-	832.692	832.692	-	799.836	799.836
IX. Investments in associates (net)	1.9	222.702	488.066	710.768	231.974	437.143	669.117
9.1 Consolidated based on equity method		218.199	488.066	706.265	227.471	437.143	664.614
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)	1.10	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)	1.11	18.185	-	18.185	18.114	-	18.114
11.1 Accounted based on equity method		18.185	-	18.185	18.114	-	18.114
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	1.12	2.021.299	7.013.960	9.035.259	1.720.318	6.584.168	8.304.486
12.1 Financial lease receivables		2.677.454	8.149.200	10.826.654	2.229.318	7.604.773	9.834.091
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(656.155)	(1.135.240)	(1.791.395)	(509.000)	(1.020.605)	(1.529.605)
XIII. Derivative financial assets held for hedging	1.13	919.892	106.613	1.026.505	1.096.608	113.104	1.209.712
13.1 Fair value hedge		50.390	-	50.390	246.295	-	246.295
13.2 Cash flow hedge		869.502	106.613	976.115	850.313	113.104	963.417
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)		2.633.137	33.123	2.666.260	2.678.356	34.691	2.713.047
XV. Intangible assets (net)		1.575.982	16.247	1.592.229	1.549.798	17.066	1.566.864
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		596.489	16.247	612.736	570.305	17.066	587.371
XVI. Investment property (net)	1.14	-	-	-	-	-	-
XVII. Tax asset		67.532	-	67.532	178.240	1.151	179.391
17.1 Current tax asset		346	-	346	97.812	1.151	98.963
17.2 Deferred tax asset		67.186	-	67.186	80.428	-	80.428
XVIII. Assets held for resale and related to discontinued operations (net)	1.15	165.090	4.473	169.563	161.854	4.329	166.183
18.1 Held for sale purposes		165.090	4.473	169.563	161.854	4.329	166.183
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	1.16	2.920.794	2.916.885	5.837.679	2.104.336	3.088.997	5.193.333
Total assets		160.658.177	125.832.054	286.490.231	150.778.002	120.356.588	271.134.590

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of June 30, 2017 and December 31, 2016

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

1. Consolidated balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (30/06/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. Deposits	2.1	81.063.231	83.163.635	164.226.866	84.238.259	72.849.936	157.088.195
1.1 Deposits of the Bank's risk group		9.100.681	11.260.117	20.360.798	7.602.155	12.201.241	19.803.396
1.2 Other		71.962.550	71.903.518	143.866.068	76.636.104	60.648.695	137.284.799
II. Derivative financial liabilities held for trading	2.2	1.609.890	269.276	1.879.166	2.188.935	389.744	2.578.679
III. Funds borrowed	2.3	1,699.004	30,963.766	32,662.770	1,367.430	29,141.344	30,508.774
IV. Money markets		7,400.313	1,449.875	8,850.188	7,225.341	1,979.688	9,205.029
4.1 Funds from interbank money market		943.242	-	943.242	-	-	-
4.2 Funds from Istanbul stock exchange money market		3,046.629	-	3,046.629	2,931.228	-	2,931.228
4.3 Funds provided under repurchase agreements		3,410.442	1,449.875	4,860.317	4,294.113	1,979.688	6,273.801
V. Marketable securities issued (net)	2.3	4,396.930	16,201.759	20,598.689	3,990.883	14,089.584	18,080.467
5.1 Bills		1,224.808	316.832	1,541.640	1,399.791	86.665	1,486.456
5.2 Asset backed securities		-	6,497.947	6,497.947	-	6,564.507	6,564.507
5.3 Bonds		3,172.122	9,386.980	12,559.102	2,591.092	7,438.412	10,029.504
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		9,793.772	1,665.703	11,459.475	9,152.217	2,010.570	11,162.787
VIII. Other liabilities	2.4	2,844.740	756.124	3,600.864	1,590.918	365.486	1,956.404
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables	2.5	-	-	-	-	-	-
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	2.6	147.411	25.745	173.156	66.263	23.033	89.296
11.1 Fair value hedge		85.581	24	85.605	49.949	508	50.457
11.2 Cash flow hedge		61.830	25.721	87.551	16.314	22.525	38.839
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	2.7	3,507.433	1,296.940	4,804.373	3,359.679	1,334.393	4,694.072
12.1 General loan loss provision		2,024.744	1,191.944	3,216.688	1,884.546	1,225.025	3,109.571
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		318.939	2.983	321.922	298.496	2.825	301.321
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		1,163.750	102.013	1,265.763	1,176.637	106.543	1,283.180
XIII. Tax liability	2.8	683.532	22.318	705.850	566.362	15.479	581.841
13.1 Current tax liability		683.532	9.813	693.345	566.362	4.838	571.200
13.2 Deferred tax liability		27.585	12.505	40.090	257.610	10.641	268.251
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	2.9	-	9,035.554	9,035.554	-	9,067.893	9,067.893
XVI. Shareholders' equity	2.10	28,363.810	129.470	28,493.280	26,103.038	18.115	26,121.153
16.1 Paid-in capital		4,347.051	-	4,347.051	4,347.051	-	4,347.051
16.2 Capital reserves		3,000.198	129.470	3,129.668	2,643.512	18.115	2,661.627
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		(37.218)	37.664	446	(377.643)	(86.111)	(463.754)
16.2.4 Property and equipment revaluation differences		1,461.448	5.362	1,466.810	1,462.750	6.947	1,469.697
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		5.667	-	5.667	4.561	-	4.561
16.2.8 Hedging funds (effective portion)		(317.640)	86.444	(231.196)	(191.241)	97.279	(93.962)
16.2.9 Value increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1,344.060	-	1,344.060	1,201.204	-	1,201.204
16.3 Profit reserves		17,482.911	-	17,482.911	14,539.224	-	14,539.224
16.3.1 Legal reserves		869.410	-	869.410	844.539	-	844.539
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		15,675.023	-	15,675.023	12,913.149	-	12,913.149
16.3.4 Other profit reserves		938.478	-	938.478	781.536	-	781.536
16.4 Income or (loss)		3,533.152	-	3,533.152	4,572.749	-	4,572.749
16.4.1 Prior years' income or (loss)		1,639.954	-	1,639.954	1,639.954	-	1,639.954
16.4.2 Current year income or (loss)		1,893.198	-	1,893.198	2,932.795	-	2,932.795
16.5 Minority interest		498	-	498	502	-	502
Total liabilities and shareholders' equity		141,510,066	144,980,165	286,490,231	139,849,325	131,285,265	271,134,590

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 in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.
Consolidated financial statements as of June 30, 2017 and 2016
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Consolidated income statement

Income and expense items		Note (Section Five)	Current Period (01/01/2017- 30/06/2017)	Prior Period (01/01/2016- 30/06/2016)
I.	Interest income	4.1	10.731.963	9.281.153
1.1	Interest on loans	4.1.1	8.574.530	7.609.194
1.2	Interest received from reserve deposits		98.787	58.894
1.3	Interest received from banks	4.1.2	174.681	69.407
1.4	Interest received from money market transactions		16.912	4.273
1.5	Interest received from marketable securities portfolio	4.1.3	1.442.279	1.199.294
1.5.1	Trading financial assets		2.114	3.484
1.5.2	Financial assets at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		1.002.317	939.270
1.5.4	Held to maturity investments		437.848	256.540
1.6	Financial lease income		301.212	247.838
1.7	Other interest income		123.562	92.253
II.	Interest expense	4.2	(6.159.984)	(5.418.408)
2.1	Interest on deposits	4.2.4	(4.649.736)	(3.915.854)
2.2	Interest on funds borrowed	4.2.1	(662.008)	(484.732)
2.3	Interest expense on money market transactions		(294.330)	(537.679)
2.4	Interest on securities issued	4.2.3	(529.910)	(472.676)
2.5	Other interest expenses		(24.000)	(7.467)
III.	Net interest income (I + II)		4.571.979	3.862.745
IV.	Net fees and commissions income		1.674.994	1.530.175
4.1	Fees and commissions received		2.093.150	1.883.913
4.1.1	Non-cash loans		291.782	238.498
4.1.2	Other	4.5	1.801.368	1.645.415
4.2	Fees and commissions paid		(418.156)	(353.738)
4.2.1	Non-cash loans		(9.539)	(4.796)
4.2.2	Other		(408.617)	(348.942)
V.	Dividend income		10.278	6.054
VI.	Trading gain/(loss) (net)	4.3	(41.287)	100.189
6.1	Trading gains/(losses) on securities		36.548	42.179
6.2	Derivative financial transactions gains/(losses)	4.4	(1.629.551)	(890.296)
6.3	Foreign exchange gains/(losses)		1.551.716	948.306
VII.	Other operating income	4.5	628.855	442.613
VIII.	Total operating income / loss (III+IV+V+VI+VII)		6.844.819	5.941.776
IX.	Provision for impairment of loans and other receivables (-)	4.6	(1.714.435)	(1.409.105)
X.	Other operating expenses (-)	4.7	(2.791.492)	(2.587.478)
XI.	Net operating income/(loss) (VIII-IX-X)		2.338.892	1.945.193
XII.	Excess amount recorded as income after merger		-	-
XIII.	Income/(loss) from investments accounted based on equity method		47.094	33.262
XIV.	Income/(loss) on net monetary position		-	-
XV.	Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)		2.385.986	1.978.455
XVI.	Tax provision for continuing operations (±)	4.8	(492.754)	(426.281)
16.1	Current tax provision		(789.053)	(489.758)
16.2	Deferred tax provision		296.299	63.477
XVII.	Net profit/loss from continuing operations (XV±XVI)		1.893.232	1.552.174
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)		-	-
XXI.	Tax provision for discontinued operations (±)	4.8	-	-
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)	4.9	1.893.232	1.552.174
23.1	Group's profit/loss		1.893.198	1.552.138
23.2	Minority interest profit/losses (-)	4.10	34	36
Earnings/(loss) per share (in TL full)			0,0044	0,0036

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 in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of June 30, 2017 and 2016

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

3. Consolidated income statement

		Note (Section Five)	Current Period (01/04/2017- 30/06/2017)	Prior Period (01/04/2016- 30/06/2016)
Income and expense items				
I.	Interest income	4.1	5.517.253	4.598.615
1.1	Interest on loans	4.1.1	4.374.590	3.864.786
1.2	Interest received from reserve deposits		54.764	28.146
1.3	Interest received from banks	4.1.2	132.183	39.637
1.4	Interest received from money market transactions		12.926	1.221
1.5	Interest received from marketable securities portfolio	4.1.3	727.913	495.158
1.5.1	Trading financial assets		940	958
1.5.2	Financial assets at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		506.197	367.765
1.5.4	Held to maturity investments		220.776	126.435
1.6	Financial lease income		151.831	124.293
1.7	Other interest income		63.046	45.374
II.	Interest expense	4.2	(3.196.451)	(2.687.728)
2.1	Interest on deposits	4.2.4	(2.454.855)	(1.933.465)
2.2	Interest on funds borrowed	4.2.1	(332.922)	(256.637)
2.3	Interest expense on money market transactions		(133.569)	(260.926)
2.4	Interest on securities issued	4.2.3	(272.141)	(234.816)
2.5	Other interest expenses		(2.964)	(1.884)
III.	Net interest income (I + II)		2.320.802	1.910.887
IV.	Net fees and commissions income		826.475	777.905
4.1	Fees and commissions received		1.050.344	957.315
4.1.1	Non-cash loans		146.081	120.442
4.1.2	Other	4.5	904.263	836.873
4.2	Fees and commissions paid		(223.869)	(179.410)
4.2.1	Non-cash loans		(5.764)	(2.812)
4.2.2	Other		(218.105)	(176.598)
V.	Dividend income		8.347	2.626
VI.	Trading gain/(loss) (net)	4.3	(107.436)	52.082
6.1	Trading gains/(losses) on securities		10.557	8.257
6.2	Derivative financial transactions gains/(losses)	4.4	(996.959)	(284.024)
6.3	Foreign exchange gains/(losses)		878.966	327.849
VII.	Other operating income	4.5	295.398	315.065
VIII.	Total operating income / loss (III+IV+V+VI+VII)		3.343.586	3.058.565
IX.	Provision for impairment of loans and other receivables (-)	4.6	(819.556)	(686.037)
X.	Other operating expenses (-)	4.7	(1.421.663)	(1.323.760)
XI.	Net operating income/(loss) (VIII-IX-X)		1.102.367	1.048.768
XII.	Excess amount recorded as income after merger		-	-
XIII.	Income/(loss) from investments accounted based on equity method		18.937	18.552
XIV.	Income/(loss) on net monetary position		-	-
XV.	Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)		1.121.304	1.067.320
XVI.	Tax provision for continuing operations (±)	4.8	(229.378)	(219.454)
16.1	Current tax provision		(355.999)	(239.497)
16.2	Deferred tax provision		126.621	20.043
XVII.	Net profit/loss from continuing operations (XV±XVI)		891.926	847.866
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)		-	-
XXI.	Tax provision for discontinued operations (±)	4.8	-	-
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)	4.9	891.926	847.866
23.1	Group's profit/loss		891.917	847.851
23.2	Minority interest profit/losses (-)	4.10	9	15
	Earnings/(loss) per share (in TL full)		0,0021	0,0020

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 in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated financial statements as of June 30, 2017 and 2016

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

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

Income and expense items accounted under shareholders' equity		Current Period (30/06/2017)	Prior Period (30/06/2016)
I.	Transfers to marketable securities valuation differences from financial assets available for sale	579.966	450.024
II.	Property and equipment revaluation differences	(3.322)	-
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	154.316	30.426
V.	Profit/loss on cash flow hedges (effective part of the fair value changes)	(57.039)	(859.371)
VI.	Profit/loss on foreign net investment hedges(effective part of the fair value changes)	(114.714)	(9.090)
VII.	Effects of changes in accounting policy and adjustment of errors	-	-
VIII.	Other income and expense items accounted under shareholders' equity according to TAS	1.106	75
IX.	Deferred tax on valuation differences	(81.380)	59.561
X.	Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	478.933	(328.375)
XI.	Current year profit/loss	1.893.232	1.552.174
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	36.569	260.498
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	56.029	10.278
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4	Other	1.800.634	1.281.398
XII.	Total income/loss accounted for the period (X+XI)	2.372.165	1.223.799

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 in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

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

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

5. Consolidated statement of changes in shareholders' equity

Prior Period		Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves ⁽¹⁾	Status reserves	Extraordinary reserves ⁽²⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽¹⁾	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
June 30, 2016																				
I.	Period opening 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 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	-	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
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	336.295	-	-	-	-	336.295	-	336.295
VI.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(694.769)	-	(694.769)	-	(694.769)
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(687.497)	-	(687.497)	-	(687.497)
6.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(7.272)	-	(7.272)	-	(7.272)
VII.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	58	-	-	58	-	58
X.	Foreign exchange differences		-	-	-	-	-	-	-	28.221	-	-	955	488	-	325	-	29.989	-	29.989
XI.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	52	-	-	-	-	-	-	-	52	-	52
XIX.	Current year income or loss		-	-	-	-	-	-	-	-	1.552.138	-	-	-	-	-	-	1.552.138	36	1.552.174
XX.	Profit distribution		-	-	-	93.027	-	1.764.898	2.620	(1.908.683)	48.138	-	-	-	-	-	-	-	(37)	(37)
20.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(37)	(37)
20.2	Transfers to reserves		-	-	-	93.027	-	1.764.898	2.620	(1.908.683)	48.138	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XXI.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance (III+IV+V+...+VIII+XIX+XX)		4.347.051	-	543.881	-	844.539	-	12.913.149	1.679.063	1.552.138	1.643.148	52.338	1.468.216	4.561	(738.393)	-	24.309.691	473	24.310.164

(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 in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity as of June 30, 2017

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

5. Consolidated statement of changes in shareholders' equity

Current Period		Note (Section Five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves ⁽¹⁾	Status reserves	Extraordinary reserves ⁽¹⁾	Other reserves	Current period net income/ (loss)	Prior period net income/ (loss) ⁽¹⁾	Marketable securities valuation difference	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Asset held for resale/ discontinued operations revaluation fund	Total equity except minority interest	Minority Interest	Total shareholders' equity
June 30, 2017																				
I.	Prior period-end balance		4,347.051	-	543.881	-	844.539	-	12,913.149	1,982.740	2,932.795	1,639.954	(463.754)	1,469.697	4.561	(93.962)	-	26,120.651	502	26,121.153
	Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	463.890	-	-	-	-	463.890	-	463.890
IV.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(137.402)	-	(137.402)	-	(137.402)
4.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(45.631)	-	(45.631)	-	(45.631)
4.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(91.771)	-	(91.771)	-	(91.771)
V.	Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	(2.863)	-	-	-	(2.863)	-	(2.863)
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	1.106	-	-	1.106	-	1.106
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	153.748	-	-	310	(24)	-	168	-	154.202	-	154.202
IX.	Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	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		-	-	-	-	-	-	-	-	1,893.198	-	-	-	-	-	-	1,893.198	34	1,893.232
XVIII.	Profit distribution		-	-	-	-	24.871	-	2,761.874	146.050	(2,932.795)	-	-	-	-	-	-	-	(38)	(38)
18.1	Dividend paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(38)	(38)
18.2	Transfers to reserves		-	-	-	-	24.871	-	2,761.874	146.050	(2,932.795)	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Transactions with minority		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period end balance																			
	(I+II+III+.....+XVII+XVIII)		4,347.051	-	543.881	-	869.410	-	15,675.023	2,282.538	1,893.198	1,639.954	446	1,466.810	5,667	(231.196)	-	28,492.782	498	28,493.280

(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 in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements June 30, 2017 and 2016

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

6. Consolidated statement of cash flows

	Note (Section Five)	Current Period (30/06/2017)	Prior Period (30/06/2016)
A. Cash flows from banking operations			
1.1 Operating profit before changes in operating assets and liabilities		4,819.994	2,859.334
1.1.1 Interest received		9,618.736	8,586.822
1.1.2 Interest paid		(6,158.819)	(5,301.443)
1.1.3 Dividend received		10,278	6,054
1.1.4 Fees and commissions received		2,093.150	1,883.913
1.1.5 Other income		876.137	129.685
1.1.6 Collections from previously written-off loans and other receivables		710.931	476.095
1.1.7 Payments to personnel and service suppliers		(2,510.416)	(2,172.830)
1.1.8 Taxes paid		(607.952)	(595.785)
1.1.9 Other		787.949	(153.177)
1.2 Changes in operating assets and liabilities		(6,749.563)	(3,248.921)
1.2.1 Net (increase)/decrease in trading securities		(20.570)	(54.392)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(1,521.885)	(1,813.389)
1.2.4 Net (increase)/decrease in loans		(13,550.143)	(10,247.660)
1.2.5 Net (increase)/decrease in other assets		(549.109)	(1,340.532)
1.2.6 Net increase /(decrease) in bank deposits		(1,396.274)	(657.691)
1.2.7 Net increase /(decrease) in other deposits		8,557.135	8,257.794
1.2.8 Net increase /(decrease) in funds borrowed		(522.560)	683.533
1.2.9 Net increase /(decrease) in payables		-	-
1.2.10 Net increase /(decrease) in other liabilities		2,253.843	1,923.416
I. Net cash flows from banking operations		(1,929.569)	(389.587)
B. Cash flows from investing activities			
II. Net cash flows from investing activities		(1,454.519)	2,020.520
2.1 Cash paid for acquisition of investments in associates subsidiaries and joint ventures		-	-
2.2 Cash obtained from disposal of investments in associates subsidiaries and joint ventures		-	-
2.3 Purchases of property and equipment		(179.436)	(216.128)
2.4 Disposals of property and equipment		29.749	48.374
2.5 Purchase of investments available-for-sale		(5,268.203)	(9,220.718)
2.6 Sale of investments available-for -sale		4,020.896	11,830.143
2.7 Purchase of investment securities		(209.429)	(495.841)
2.8 Sale of investment securities		151.904	74.690
2.9 Other		-	-
C. Cash flows from financing activities			
III. Net cash flows from financing activities		4,816.544	(1,442.864)
3.1 Cash obtained from funds borrowed and securities issued		14,254.134	6,627.848
3.2 Cash used for repayment of funds borrowed and securities issued		(9,437.552)	(8,070.675)
3.3 Issued capital instruments		-	-
3.4 Dividends paid		(38)	(37)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents		425.701	7.015
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		1,858.157	195.084
VI. Cash and cash equivalents at beginning of the period		15,959.013	10,082.660
VII. Cash and cash equivalents at end of the period		17,817.170	10,277.744

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements June 30, 2017

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

Section Three - Accounting policies

1. 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 amortized 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, 2016, except for changes on accounting policies from historical cost basis to revaluation basis for buildings in tangible assets.

The effects of “TFRS 9-Financial Instruments” 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-Financial Instruments”. 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements June 30, 2017

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

2. 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.

3. Information on consolidation principles:

3.1. 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 "TFRS 10-Consolidated Financial Statements"

3.1.1. 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 June 30, 2017

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

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	Direct and
			rates (%) June 30, 2017	indirect rates (%) June 30, 2017
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
Stiching Custody Services YKB	Amsterdam/Netherlands	Custody services	100,00	100,00
Yapı Kredi Invest LLC	Baku/Azerbaijan	Investment 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.

3.1.2. 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 %	Direct and
			June 30, 2017	indirect rates % June 30, 2017
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Turkey	Insurance	20,00	20,00

3.1.3. 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.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements June 30, 2017

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

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 % June 30, 2017	Direct and indirect rates % June 30, 2017
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	REIT	30,45	30,45

3.1.4. 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.

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 "TAS 27 - Individual Financial Statements" 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.

4. 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 (amortized 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements June 30, 2017

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

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 "TAS 39- Financial Instruments: Recognition and Measurement" 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.

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- Financial Instruments: Recognition and Measurement"); 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 June 30, 2017, 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- Financial Instruments: Recognition and Measurement" and recorded as credit default 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- Financial Instruments: Recognition and Measurement" 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.

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.

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Notes to consolidated financial statements June 30, 2017

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

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- Financial Instruments: Recognition and Measurement", 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.

5. 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.

6. 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.

7. 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.

7.1. 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 4. of this section.

7.2. 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

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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- Financial Instruments: Recognition and Measurement", 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.

7.3. 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.

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.

7.4. 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 cannot 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.

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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.

8. 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 7. of this section.

9. 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.

10. 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.

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

According to the "TFRS-5 Non-current Assets Held for Sale and Discontinued Operations" 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.

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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12. Explanations on goodwill and other intangible assets:

12.1. 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.

As explained in Note 2, Section 1, in 2006, all rights, receivables, debts and liabilities of Koçbank were transferred to the Bank pursuant the merger of the two banks. The goodwill resulting from the merger and calculated in line with TFRS 3, was recorded in the unconsolidated financial statements of the Bank.

In line with "TFRS 3- Business Combinations" the goodwill is not subject to amortization but is tested annually or more frequently for impairment losses, if any, in line with "TAS 36 - Impairment on Assets". For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units that is expected to benefit from the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

12.2. Other intangible assets:

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for 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 "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 amortized over their estimated useful lives using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit from the asset. The rates used are presented below:

Other intangible assets	20%
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13. 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 "TAS 16- Property, Plant and Equipment". 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- Property, Plant and Equipment".

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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 "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.

14. Explanations on leasing transactions:

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

14.1. Accounting of leasing operations according to lessee:

14.1.1 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.

14.1.2 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.

14.2. 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.

14.2.1 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 BRSB named "The Procedures Regarding the Provisions to Be Provided for the Loans of

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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.

15. 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 "TAS 37- Provisions, Contingent Liabilities and Contingent Assets".

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.

16. Explanations on obligations related to employee rights:

16.1. Severance Pay

Obligations related to severance pay and vacation rights are accounted for in accordance with "TAS 19- Employee Rights" 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 severance pay 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

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after January 1, 2013, are accounted for under equity in accordance with the revised "TAS 19- Employee Rights" standard.

16.2. 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.

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.

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.

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16.3. Short term benefits of employee:

Within the scope of "TAS 19- Employee Rights", 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.

17. Explanations on taxation:

17.1. 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.

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.

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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 June 30, 2017 are as follows:

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

17.2. 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 "TAS 12-Income Taxes" 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-Income Taxes". 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.

17.3. 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.

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18. Additional 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 "amortized cost" including costs of transactions using the "effective interest method".

The Group classifies 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. For the related liabilities until the maturity, the Bank presents interest expenses paid and the difference between amortized cost and acquisition cost in the interest expense, the difference between the fair value of the financial liabilities and amortized cost presents under the trading gain/(loss) in the income 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, Group obtains funds by issuing bonds and bills.

19. 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.

20. Explanations on avalized drafts and letter of acceptances:

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

21. 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, 2016 - TL 1.451).

22. 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.

23. Earnings per share:

Earnings per share disclosed in the income statement are calculated by dividing net profit/loss for the period 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	1.893.198	1.552.138
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share (full TL)	0,0044	0,0036

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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 2017 (December 31, 2016 - no bonus shares were issued).

24. 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 "TAS 24-Related Parties". The transactions with related parties are disclosed in detail in Note 7. of Section Five.

25. Explanations on operating segments:

Information about operating segments which are determined in line with "TFRS 8- Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note 12 of Section Four.

26. Explanations on other matters:

None.

27. Legal mergers under common control:

As in "TFRS 3- Business Combinations" 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

1. Explanations on consolidated own funds:

The calculation of the own funds and the capital adequacy standart ratio are performed in accordance with the communiqués 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 13,71% (December 31, 2016 – 13,18%) and the Parent Bank is 14,84% (December 31, 2016 – 14,21%).

1.1. Information related to capital adequacy ratio:

	Current Period	Amounts subject to treatment before 1/1/2014 ⁽¹⁾	Prior Period	Amounts subject to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL				
Paid-up Capital	4.347.051		4.347.051	
Share issue premiums	543.881		543.881	
Retained earnings	17.482.911		14.539.224	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	3.148.029		3.053.077	
Profit	3.533.152		4.572.749	
Net profit of the period	1.893.198		2.932.795	
Profit of the previous years	1.639.954		1.639.954	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	5.667		4.561	
Minority interest	498		502	
Common Equity Tier 1 capital before regulatory adjustments	29.061.189		27.061.045	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	29.230		19.189	
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	567.909		939.892	
Improvement costs for operating leasing	100.463		119.336	
Goodwill (net of related tax liability)	783.594	979.493	587.696	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	463.885	579.856	331.709	552.848
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-		-	
Cash-flow hedge reserve	333.687		379.150	
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 (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks’ Shareholders’ Equity	-		-	
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	724.450		682.728	
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	3.003.218		3.059.700	
Common Equity Tier 1 capital (CET1)	26.057.971		24.001.345	

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	Amounts subject to treatment		Amounts subject to treatment before 1/1/2014 ⁽¹⁾
	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)	-	-	-
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 be 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 (-)	311.870	-	612.936
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)	25.746.101		23.388.409
TIER 2 CAPITAL			
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	5.453.541		5.472.356
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)	888.800		1.066.560
Shares of Third Parties in Additional Tier I Capital	-		-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-		-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.928.370		2.886.021
Tier 2 capital before regulatory adjustments	9.270.711		9.424.937
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	67.240		109.452
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	67.240		109.452
Total Tier 2 capital	9.203.471		9.315.485
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	34.816.012		32.484.365
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	4.826		13.811
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 ⁽²⁾	35.459		11.868
National specific regulatory adjustments which shall be determined by the BRSA	93.275		193.850
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 be 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 be 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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)			

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Information related to financial position of the Group (continued)

OWN FUNDS	Current Period	Prior Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	34.816.012	32.484.365
Total Risk Weighted Assets	253.943.555	246.436.668
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,26	9,74
Tier 1 Capital Adequacy Ratio (%)	10,14	9,49
Capital Adequacy Ratio (%)	13,71	13,18
BUFFERS		
Institution specific buffer requirement of the Bank	6,509	5,512
Capital conservation buffer requirement (%)	1,250	0,625
Bank’s specific countercyclical buffer requirement (%)	0,009	0,012
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 (%)	4,249	3,739
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)	1.049.236	1.218.309
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.216.688	3.109.571
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.928.370	2.886.021
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.
(2) Starting from 1 January 2017, duration for disposal is taken into consideration as three years in accordance with “Regulation regarding to changes on regulation on Banks’ Shareholders’ Equity” published in Official Gazette no. 29750 on June 22, 2016

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1.2. Information on debt instruments included in the calculation of equity:

	1	2	3	4
Issuer	UNICREDIT SPA	UNICREDIT SPA	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861979440/ US984848AB73	XS1376681067
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law /Turkish Law
Regulatory treatment				
Transitional Basel III rules	No	No	Yes	No
Eligible at 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
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2.052	1.648	889	1.754
Par value of instrument	2.052	1.648	3.507	1.754
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 8, 2016
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	-	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5,7%	6,55% (5 Year MidSwap+ 4,88% coupon)	5,5%	8,625% (5 Year MidSwap+ 7,40% coupon)
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
Fully discretionary, partially discretionary or mandatory	-	-	-	Mandatory
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative
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)	-	-	-	In case of default
If write-down, full or partial	-	-	-	Partial
If write-down, permanent or temporary	-	-	-	Permanent
If 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
In compliance with article number 7 and 8 of “Own fund regulation”	No	No	Yes	No
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-	8-2-ğ	-

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- 1.3. There are differences between the figures in the 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".

2. Explanations on Consolidation Based Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables, which have to be prepared within the scope of Internal Rating-Based (IRB) approach, have not been presented.

2.1. General Information on Risk Management and Risk Weighted Amount

2.1.1. Overview of Risk Weighted Asset

	Risk Weighted Assets		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	228.780.562	227.412.008	18.302.445
2 Of which standardised approach (SA)	228.780.562	227.412.008	18.302.445
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	5.454.828	3.469.703	436.386
5 Of which standardised approach for counterparty credit risk (SA-CCR)	5.454.828	3.469.703	436.386
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	34.210	-	2.737
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – fall-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	1.605.173	1.216.950	128.414
17 Of which standardised approach (SA)	1.605.173	1.216.950	128.414
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	18.068.782	14.338.007	1.445.503
20 Of which Basic Indicator Approach	18.068.782	14.338.007	1.445.503
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)	253.943.555	246.436.668	20.315.485

2.1.2. Credit quality of assets

According to the Provisioning Regulation published by BRSA, the loans and receivables defined as the defaulted exposures are summarized below;

- for which recovery of principal and interest or both delays for more than ninety days from their terms or,
- which have limited means for total recovery because debtors' equity or collaterals extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or,
- for which debtors are recognized to have suffered substantial deterioration and weakness in respect of their creditworthiness or,
- for which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

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Specific provisions for defaulted exposures are calculated using by coverage ratios which aside by the Provisioning Regulation after collateral deduction. There is no difference between "impaired loans" and "loans subject to provisioning" in the Bank.

Current Period	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	8.825.499	197.857.943	9.772.214	196.911.228
2 Debt Securities	-	32.270.919	-	32.270.919
3 Off-balance sheet exposures	900.651	146.857.028	360.481	147.397.198
4 Total	9.726.150	376.985.890	10.132.695	376.579.345

Prior Period	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	9.326.242	187.618.421	9.990.089	186.954.574
2 Debt Securities	-	29.904.969	-	29.904.969
3 Off-balance sheet exposures	875.166	133.986.723	351.475	134.510.414
4 Total	10.201.408	351.510.113	10.341.564	351.369.957

2.1.3. Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	10.201.408	7.200.623
2 Loans and debt securities that have defaulted since the last reporting period	1.592.049	4.063.841
3 Returned to non-defaulted status	21.933	70.073
4 Amounts written off	1.321.487	703
5 Other changes	(767.753)	(992.280)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	9.726.150	10.201.408

2.1.4. Credit risk mitigation techniques – overview

Current Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	155.374.709	41.536.519	28.711.061	10.683.340	9.254.763	-	-
2 Debt securities	32.270.919	-	-	-	-	-	-
3 TOTAL	187.645.628	41.536.519	28.711.061	10.683.340	9.254.763	-	-
4 Of which defaulted	1.534.417	522.389	86.597	3.087	1.179	-	-

Prior Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	159.526.701	27.427.873	17.403.119	3.056.693	1.877.921	-	-
2 Debt securities	29.904.969	-	-	-	-	-	-
3 TOTAL	189.431.670	27.427.873	17.403.119	3.056.693	1.877.921	-	-
4 Of which defaulted	1.625.436	622.182	91.397	855	288	-	-

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

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes							
1	Exposures to central governments or central banks	60.849.713	611.154	69.951.410	678.543	9.330.719	13,21%
2	Exposures to regional governments or local authorities	-	920	-	184	37	20,11%
3	Administrative and non commercial receivables	172.576	86.311	164.176	35.784	63.068	31,54%
4	Exposures to multilateral development banks	46.047	16.501	46.047	9.571	-	-
5	Exposures to banks and financial institutions	11.574.230	4.173.565	11.727.193	2.107.987	7.055.979	51,00%
6	Exposures to corporates	109.057.537	90.585.025	104.509.204	35.775.883	139.393.549	99,36%
7	Retail exposures	69.729.359	49.989.949	63.393.721	11.858.718	56.437.995	75,00%
8	Exposures secured by residential property	8.037.088	434.466	8.037.088	210.953	2.886.814	35,00%
9	Exposures secured by commercial real estate	10.012.791	864.872	10.012.791	570.013	5.291.402	50,00%
10	Non performing receivables	2.009.495	427.240	2.004.839	99.086	2.034.088	96,68%
11	Higher-risk categories by the Agency Board	51.405	514.311	51.287	133.480	276.297	149,54%
12	Exposures in the form of units or shares in collective investment undertakings (CIUs)	72.757	-	72.757	-	34.210	-
13	Investments in equities	350.282	-	350.282	-	350.282	100,00%
14	Other assets	8.997.898	-	8.997.893	-	5.660.332	62,91%
15	TOTAL	280.961.178	147.704.314	279.318.688	51.480.202	228.814.772	69,17%

Prior Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes							
1	Exposures to central governments or central banks	58.614.442	1.209.711	60.320.156	179.162	15.699.911	25,95%
2	Exposures to regional governments or local authorities	-	835	-	167	83	49,70%
3	Administrative and non commercial receivables	12.637	843	12.637	169	2.562	20,01%
4	Exposures to multilateral development banks	34.295	9.699	34.295	8.399	-	-
5	Exposures to banks and financial institutions	11.991.618	4.676.769	12.155.767	2.370.188	7.263.065	50,00%
6	Exposures to corporates	102.370.823	76.973.898	99.334.633	32.942.689	132.277.439	100,00%
7	Retail exposures	66.469.387	46.373.320	66.361.492	11.073.987	58.076.609	75,00%
8	Exposures secured by residential property	7.006.484	394.981	7.006.484	193.567	2.520.018	35,00%
9	Exposures secured by commercial real estate	7.743.934	719.839	7.743.934	454.681	4.099.307	50,00%
10	Non performing receivables	2.366.460	-	2.186.414	-	2.166.239	99,08%
11	Higher-risk categories by the Agency Board	113.243	634.531	65.296	138.160	232.557	114,30%
12	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
13	Investments in equities	112.641	-	112.641	-	112.641	100,00%
14	Other assets	7.349.035	-	7.349.035	-	4.961.577	67,51%
15	TOTAL	264.184.999	130.994.426	262.682.784	47.361.169	227.412.008	73,35%

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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2.1.6. Standardised approach – exposures by asset classes and risk weights

Current Period												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight*	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
1 Exposures to central governments or central banks	61.292.773	-	8.074	-	3	-	9.329.103	-	-	-	-	70.629.953
2 Exposures to regional governments or local authorities	-	-	184	-	-	-	-	-	-	-	-	184
3 Administrative and non commercial receivables	-	-	171.115	-	-	-	28.845	-	-	-	-	199.960
4 Exposures to multilateral development banks	55.618	-	-	-	-	-	-	-	-	-	-	55.618
5 Exposures to banks and financial institutions	-	-	3.904.874	-	7.310.604	-	2.619.702	-	-	-	-	13.835.180
6 Exposures to corporates	-	-	601.665	-	820.699	-	138.862.435	288	-	-	-	140.285.087
7 Retail exposures	-	-	556	-	4.113	75.247.770	-	-	-	-	-	75.252.439
8 Exposures secured by residential property	-	-	-	8.248.041	-	-	-	-	-	-	-	8.248.041
9 Exposures secured by commercial real estate	-	-	-	-	10.582.804	-	-	-	-	-	-	10.582.804
10 Non performing receivables	-	-	-	-	724.800	-	793.999	585.126	-	-	-	2.103.925
11 Higher-risk categories by the Agency Board	-	-	-	-	529	-	651	183.587	-	-	-	184.767
12 Exposures in the form of units or shares in collective investment undertakings (CIUs)	5.838	-	14.684	-	41.922	-	10.313	-	-	-	-	72.757
13 Investments in equities	-	-	-	-	-	-	350.282	-	-	-	-	350.282
14 Other assets	3.181.522	-	195.051	-	-	-	5.621.320	-	-	-	-	8.997.893
15 TOTAL	64.535.751	-	4.896.203	8.248.041	19.485.474	75.247.770	157.616.650	769.001	-	-	-	330.798.890
Prior Period												Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight*	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
1 Exposures to central governments or central banks	29.232.770	-	7.638	-	31.121.054	-	137.856	-	-	-	-	60.499.318
2 Exposures to regional governments or local authorities	-	-	-	-	167	-	-	-	-	-	-	167
3 Administrative and non commercial receivables	-	-	12.806	-	-	-	-	-	-	-	-	12.806
4 Exposures to multilateral development banks	42.694	-	-	-	-	-	-	-	-	-	-	42.694
5 Exposures to banks and financial institutions	-	-	1.778.179	-	11.680.694	-	1.067.082	-	-	-	-	14.525.955
6 Exposures to corporates	-	-	-	-	-	-	132.277.087	235	-	-	-	132.277.322
7 Retail exposures	-	-	-	-	-	77.435.479	-	-	-	-	-	77.435.479
8 Exposures secured by residential property	-	-	-	7.200.051	-	-	-	-	-	-	-	7.200.051
9 Exposures secured by commercial real estate	-	-	-	-	8.198.615	-	-	-	-	-	-	8.198.615
10 Non performing receivables	-	-	-	-	719.279	-	788.205	678.930	-	-	-	2.186.414
11 Higher-risk categories by the Agency Board	-	-	-	-	47.958	-	49.338	106.160	-	-	-	203.456
12 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
13 Investments in equities	-	-	-	-	-	-	112.641	-	-	-	-	112.641
14 Other assets	2.302.499	-	106.201	-	-	-	4.940.335	-	-	-	-	7.349.035
15 TOTAL	31.577.963	-	1.904.824	7.200.051	51.767.767	77.435.479	139.372.544	785.325	-	-	-	310.043.953

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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2.1.7. Analysis of counterparty credit risk (CCR) exposure by approach

Current Period		Replacement Cost	Potential credit risk exposure	EEPE⁽¹⁾	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	2.951.629	2.120.176		1,40	5.250.456	2.935.307
2	Internal Model Approach					-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					394.134	164.166
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						-
6	Total						3.099.473

Prior Period		Replacement Cost	Potential credit risk exposure	EEPE⁽¹⁾	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standart Approach-CCR	4.007.844	2.038.466		1,40	6.203.294	3.016.388
2	Internal Model Approach					-	-
3	Simplified Standardised Approach for Credit Risk Mitigation					-	-
4	Comprehensive Method for Credit Risk Mitigation					563.312	198.919
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						-
6	Total						3.215.307

(1) Effective expected positive exposure

2.1.8. Credit valuation adjustment (CVA) capital charge

	Current Period		Prior Period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	5.250.456	2.355.355	6.203.294	254.396
4 Total amount of CVA capital adequacy	5.250.456	2.355.355	6.203.294	254.396

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2.1.9. Standardised approach – CCR exposures by risk weights and risk classes

Current Period		0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk ⁽¹⁾
Risk Weights/Risk Classes											
1	Central governments and central banks receivables	55.506	-	73	-	-	-	-	-	-	55.579
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.139.883	-	3.114.445	-	199.538	-	-	4.453.866
6	Corporate receivables	-	-	-	-	-	-	1.090.995	-	-	1.090.995
7	Retail receivables	-	-	-	-	-	6.605	-	-	-	6.605
8	Mortgage receivables	-	-	-	3	37.542	-	-	-	-	37.545
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
Total		55.506	-	1.139.956	3	3.151.987	6.605	1.290.533	-	-	5.644.590
Prior Period		0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit risk ⁽¹⁾
Risk Weights/Risk Classes											
1	Central governments and central banks receivables	93.402	-	-	-	-	-	-	-	-	93.402
2	Local governments and municipalities receivables	-	-	-	-	67	-	-	-	-	67
3	Administrative and non commercial receivables	-	-	66.057	-	-	-	-	-	-	66.057
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.654.763	-	3.642.896	-	175.960	-	-	5.473.619
6	Corporate receivables	-	-	-	-	-	-	1.112.009	-	-	1.112.009
7	Retail receivables	-	-	-	-	-	21.452	-	-	-	21.452
8	Mortgage receivables	-	-	-	-	-	-	-	-	-	-
9	Non performing receivables	-	-	-	-	-	-	-	-	-	-
10	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
11	Equity investments	-	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-	-
Total		93.402	-	1.720.820	-	3.642.963	21.452	1.287.969	-	-	6.766.606

(1) Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied

2.1.10. Composition of collateral for CCR exposure

		Collateral for derivative transactions				Collateral for other transactions	
		Fair value of collateral received		Fair value of collateral given		Fair value of collateral receive	Fair value of collateral given
Current Period		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-domestic currency	2.870	-	-	-	3.843.845	-
2	Cash-foreign currency	13.161	-	-	-	470.813	-
3	Domestic sovereign debts	-	-	-	-	-	3.992.393
4	Other sovereign debt	380	-	-	-	-	531.529
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	39.950	-	-	-	-	-
9	Total	56.361	-	-	-	4.314.658	4.523.922

		Collateral for derivative transactions				Collateral for other transactions	
		Fair value of collateral received		Fair value of collateral given		Fair value of collateral receive	Fair value of collateral given
Prior Period		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash-domestic currency	-	-	-	-	4.275.290	-
2	Cash-foreign currency	-	-	-	-	1.275.541	-
3	Domestic sovereign debts	-	-	-	-	-	5.467.967
4	Other sovereign debt	-	-	-	-	-	520.369
5	Government agency debt	-	-	-	-	-	-
6	Corporate debts	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-
9	Total	-	-	-	-	5.550.831	5.988.336

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2.1.11. Credit derivatives exposures

	Current Period		Prior Period	
	Protection Bought	Protection Sold	Protection Bought	Protection Sold
Nominal				
Single-name credit default swaps	-	-	35.192	-
Index credit default swaps	-	-	-	-
Total return swaps	-	4.019.137	-	4.033.003
Credit Options	-	-	-	-
Other Credit Derivatives	-	-	-	-
Total Nominal	-	4.019.137	35.192	4.033.003
Rediscount Amount	-	51.172	(15)	(97.052)
Positive Rediscount Amount	-	51.172	354	-
Negative Rediscount Amount	-	-	(369)	(97.052)

2.1.12. Market risk under standardised approach

	Current Period		Prior Period	
	Risk Weighted Asset	Risk Weighted Asset	Risk Weighted Asset	Risk Weighted Asset
Outright products				
1 Interest rate risk (general and specific)	930.238		772.399	
2 Equity risk (general and specific)	47.250		42.738	
3 Foreign exchange risk	599.888		389.338	
4 Commodity risk	-		-	
Options				
5 Simplified approach	-		-	
6 Delta-plus method	27.798		12.475	
7 Scenario approach	-		-	
8 Securitisation	-		-	
9 Total	1.605.173		1.216.950	

2.1.13. Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1 Exposure to Qualified Central Counterparties (QCCPs) (total)	-	-	-	-
Exposures for trades at QCCPs (excluding initial margin and default fund contributions) ; of which				
2 (i) OTC Derivatives	154.408	77.204	112.282	56.141
3 (ii) Exchange-traded Derivatives	-	-	-	-
4 (iii) Securities financing transactions	-	-	-	-
5 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
6 Segregated initial margin	-	-	-	-
7 Non-segregated initial margin	-	-	-	-
8 Pre-funded default fund contributions	-	-	-	-
9 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)	-	-	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) ; of which				
12 (i) OTC Derivatives	-	-	-	-
13 (ii) Exchange-traded Derivatives	-	-	-	-
14 (iii) Securities financing transactions	-	-	-	-
15 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
16 Segregated initial margin	-	-	-	-
17 Non-segregated initial margin	-	-	-	-
18 Pre-funded default fund contributions	-	-	-	-
19 Unfunded default fund contributions	-	-	-	-
20	-	-	-	-

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3. 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 10.

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	3,5071	4,0030
First day current bid rate	3,5211	4,0015
Second day current bid rate	3,5000	3,9100
Third day current bid rate	3,5180	3,9283
Fourth day current bid rate	3,5349	3,9380
Fifth day current bid rate	3,5215	3,9284
Arithmetic average of the last 31 days:	3,5121	3,9410
Balance sheet evaluation rate as of		
Prior Period:	3,5192	3,7099

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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	8.716.060	16.786.232	5.176.452	30.678.744
Banks	1.694.084	1.271.995	135.305	3.101.384
Financial assets at fair value through profit or loss	135.701	321.789	79	457.569
Money market placements	20.015	-	-	20.015
Available-for-sale financial assets	638.592	2.170.724	22.310	2.831.626
Loans ⁽¹⁾	32.867.729	40.480.377	1.374.178	74.722.284
Investments in associates, subsidiaries and joint ventures	-	-	488.066	488.066
Held-to-maturity investments	991.230	5.836.039	1	6.827.270
Hedging derivative financial assets	50.632	55.981	-	106.613
Tangible assets	2.245	-	30.878	33.123
Intangible assets ⁽⁶⁾	-	-	-	-
Other assets ⁽²⁾	7.642.495	3.517.922	326.767	11.487.184
Total assets	52.758.783	70.441.059	7.554.036	130.753.878
Liabilities				
Bank deposits	1.359.048	2.315.910	119.283	3.794.241
Foreign currency deposits	23.321.584	53.380.399	2.667.411	79.369.394
Funds from money market	267.404	1.182.459	12	1.449.875
Funds borrowed from other financial institutions	18.767.025	11.880.483	316.258	30.963.766
Marketable securities issued	434.169	15.618.208	149.382	16.201.759
Miscellaneous payables	1.287.638	355.668	22.397	1.665.703
Hedging derivative financial liabilities	11.766	13.978	1	25.745
Other liabilities ⁽³⁾	303.322	9.856.137	25.826	10.185.285
Total liabilities	45.751.956	94.603.242	3.300.570	143.655.768
Net on balance sheet position	7.006.827	(24.162.183)	4.253.466	(12.901.890)
Net off balance sheet position⁽⁵⁾	(6.768.819)	24.112.699	(3.454.612)	13.889.268
Financial derivative assets	12.850.593	45.508.968	2.430.311	60.789.872
Financial derivative liabilities	19.619.412	21.396.269	5.884.923	46.900.604
Net position	238.008	(49.484)	798.854	987.378
Non-cash loans	21.313.488	25.840.023	3.768.434	50.921.945
December 31, 2016				
Total assets	50.111.003	68.569.191	7.268.551	125.948.745
Total liabilities	46.840.925	80.029.739	3.168.636	130.039.300
Net on-balance sheet position	3.270.078	(11.460.548)	4.099.915	(4.090.555)
Net off-balance sheet position	(3.142.494)	11.314.635	(3.490.796)	4.681.345
Financial derivative assets	13.835.834	37.672.799	1.773.627	53.282.260
Financial derivative liabilities	16.978.328	26.358.164	5.264.423	48.600.915
Net position	127.584	(145.913)	609.119	590.790
Non-cash loans	18.594.521	24.690.691	3.554.690	46.839.902

(1) Includes FX indexed loans amounting to TL 5.080.908 (December 31, 2016 - TL 5.733.763) which have been disclosed as TL in the financial statements.

(2) Does not include foreign currency prepaid expenses amounting to TL 142.837 (December 31, 2016 - TL 124.540).

(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 16.247 is not considered in the calculation.

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4. Explanations on consolidated interest rate risk:

The monitoring of interest rate sensitive assets and liabilities of the Parent Bank, including sensitivity analysis 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 Parent Bank utilizes TL/FC 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. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

4.1. 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 ⁽¹⁾	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	20.065.034	-	-	-	-	14.773.218	34.838.252
Banks	876.897	2.423.431	219.536	-	-	1.295.626	4.815.490
Financial assets at fair value through profit/loss	681.843	485.710	307.548	369.702	338.638	31.689	2.215.130
Money market placements	258.813	-	-	-	-	-	258.813
Available-for-sale financial assets	2.789.949	4.731.927	6.700.366	4.118.243	2.101.448	192.776	20.634.709
Loans	32.106.402	23.956.700	63.944.624	53.157.871	12.671.298	2.009.960	187.846.855
Held-to-maturity investments	-	935.085	1.806.022	1.550.387	7.425.573	-	11.717.067
Other assets	2.436.982	2.302.009	2.563.974	5.463.542	874.151	10.523.257	24.163.915
Total assets	59.215.920	34.834.862	75.542.070	64.659.745	23.411.108	28.826.526	286.490.231
Liabilities							
Bank deposits	4.736.163	450.152	1.252.719	-	-	339.823	6.778.857
Other deposits	79.188.808	40.339.544	7.098.326	1.007.519	144.016	29.669.796	157.448.009
Funds from money market	6.541.614	1.887.751	420.823	-	-	-	8.850.188
Miscellaneous payables	-	-	-	-	-	11.459.475	11.459.475
Marketable securities issued	732.731	8.392.768	1.605.064	8.071.435	1.796.691	-	20.598.689
Funds borrowed from other financial institutions	8.607.739	11.387.648	8.470.137	3.399.112	798.134	-	32.662.770
Other liabilities	436.732	359.058	434.502	752.776	9.117.979	37.591.196	48.692.243
Total liabilities	100.243.787	62.816.921	19.281.571	13.230.842	11.856.820	79.060.290	286.490.231
Balance sheet long position	-	-	56.260.499	51.428.903	11.554.288	-	119.243.690
Balance sheet short position	(41.027.867)	(27.982.059)	-	-	-	(50.233.764)	(119.243.690)
Off-balance sheet long position	11.907.379	21.880.357	-	-	-	-	33.787.736
Off-balance sheet short position	-	-	(2.691.682)	(23.527.161)	(7.972.698)	-	(34.191.541)
Total position	(29.120.488)	(6.101.702)	53.568.817	27.901.742	3.581.590	(50.233.764)	(403.805)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing ⁽¹⁾	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	18.716.507	-	55.603	-	-	14.311.185	33.083.295
Banks	1.288.116	621.003	202.417	1.083	-	1.336.347	3.448.966
Financial assets at fair value through profit/loss	1.084.075	799.785	431.598	429.746	288.991	6.635	3.040.830
Money market placements	252	-	-	-	-	-	252
Available-for-sale financial assets	2.391.170	4.113.076	5.798.470	3.475.043	2.404.967	203.383	18.386.109
Loans	28.880.789	31.619.615	54.549.782	40.263.114	21.172.537	2.178.585	178.664.422
Held-to-maturity investments	11.601	868.075	1.505.914	1.645.515	7.557.785	-	11.588.890
Other assets	3.196.759	1.871.657	2.091.349	5.027.780	766.035	9.968.246	22.921.826
Total assets	55.569.269	39.893.211	64.635.133	50.842.281	32.190.315	28.004.381	271.134.590
Liabilities							
Bank deposits	6.263.450	598.498	696.516	-	-	613.650	8.172.114
Other deposits	87.315.238	25.054.236	8.862.812	981.506	133.683	26.568.606	148.916.081
Funds from money market	6.699.947	915.685	1.502.348	87.049	-	-	9.205.029
Miscellaneous payables	-	-	-	-	-	11.162.787	11.162.787
Marketable securities issued	598.290	10.802.731	1.112.075	5.530.026	37.345	-	18.080.467
Funds borrowed from other financial institutions	7.530.570	10.149.293	10.240.290	1.853.121	735.500	-	30.508.774
Other liabilities	604.694	348.832	597.932	905.572	9.272.345	33.359.963	45.089.338
Total liabilities	109.012.189	47.869.275	23.011.973	9.357.274	10.178.873	71.705.006	271.134.590
Balance sheet long position	-	-	41.623.160	41.485.007	22.011.442	-	105.119.609
Balance sheet short position	(53.442.920)	(7.976.064)	-	-	-	(43.700.625)	(105.119.609)
Off-balance sheet long position	9.992.141	17.275.624	-	-	-	-	27.267.765
Off-balance sheet short position	-	-	(2.350.770)	(16.392.589)	(8.159.895)	-	(26.903.254)
Total position	(43.450.779)	9.299.560	39.272.390	25.092.418	13.851.547	(43.700.625)	364.511

(1) Shareholders' equity is presented under "Non-interest bearing"

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4.2. 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	-	1,24	-	7,58
Banks	1,51	1,52	-	14,84
Financial assets at fair value through profit/loss	2,45	3,89	-	11,62
Money market placements	0,01	-	-	14,43
Available-for-sale financial assets	4,02	5,30	-	12,89
Loans	4,25	6,11	4,77	13,64
Held-to-maturity investments	2,79	5,40	-	11,33
Liabilities⁽¹⁾				
Bank deposits	0,86	1,64	-	12,35
Other deposits	1,57	3,19	1,64	13,54
Funds from money market	0,21	2,33	-	12,35
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,30	4,55	1,06	12,66
Funds borrowed from other financial institutions	1,42	2,73	2,64	8,36

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

Prior Period	EURO	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	-	3,31
Banks	1,36	0,45	-	11,14
Financial assets at fair value through profit/loss	3,06	3,69	-	9,92
Money market placements	-	-	-	11,00
Available-for-sale financial assets	4,31	5,46	-	9,59
Loans	4,16	5,90	4,97	13,17
Held-to-maturity investments	2,97	5,40	-	9,46
Liabilities⁽¹⁾				
Bank deposits	0,85	1,65	-	11,12
Other deposits	1,55	2,87	1,41	10,74
Funds from money market	0,21	1,18	-	8,50
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,14	4,45	0,35	8,00
Funds borrowed from other financial institutions	1,24	2,38	3,16	9,48

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

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

5.1. 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 June 30, 2017.

5.2. Information on realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core Comparison of the carrying, fair and market values of equity shares:

None.

6. Explanations on consolidated liquidity risk management and liquidity coverage ratio:

Liquidity risk is defined as risk of unexpected loss to be occurred or bank to have difficulties in raising funds while meeting maturing liabilities. Liquidity management is daily monitored before the Bank under Treasury Management, Risk Management and Capital Management. The liquidity policy of the Bank 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 the 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 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.

Funding sources of the Group mainly consist of deposits which constitute 57% of total liabilities of the Bank (31 December 2016 – 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

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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.

Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables above.

Current Period	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			47.171.186	24.869.112
Cash Outflows				
Retail and Small Business Customers Deposits	80.438.238	34.796.998	6.721.999	3.098.790
Stable deposits	26.436.498	7.618.196	1.321.825	380.910
Less stable deposits	54.001.740	27.178.802	5.400.174	2.717.880
Unsecured Funding other than Retail and Small Business Customers Deposits	79.639.950	42.236.199	46.500.270	21.847.615
Operational deposits	-	-	-	-
Non-Operational deposits	60.466.021	35.968.361	29.822.760	15.639.811
Other Unsecured funding	19.173.929	6.267.838	16.677.510	6.207.804
Secured funding			20.115	-
Other Cash Outflows	18.556.805	6.465.372	18.556.805	6.465.372
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	18.556.805	6.465.372	18.556.805	6.465.372
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	79.187.994	55.219.339	3.959.400	2.760.967
Other irrevocable or conditionally revocable commitments	57.741.878	1.579.553	4.529.950	231.018
Total Cash Outflows			80.288.539	34.403.762
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	25.371.083	8.450.259	16.960.335	6.725.074
Other contractual cash inflows	16.652.374	12.330.359	16.652.375	12.330.359
Total Cash Inflows	42.023.457	20.780.618	33.612.710	19.055.433
			Capped Amounts	
Total High Quality Liquid Assets			47.171.186	24.869.112
Total Net Cash Outflows			46.675.828	15.348.328
Liquidity Coverage Ratio (%)			101,06	162,03

(1) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's 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 are explained in the table below.

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	January 20, 2017	January 20, 2017	February 24, 2017	February 24, 2017
Ratio(%)	104,63	98,56	257,25	112,55

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Previous Period	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			37.422.117	20.923.220
Cash Outflows				
Retail and Small Business Customers Deposits	69.078.398	25.675.920	6.010.001	2.567.559
Stable deposits	17.956.777	674	897.839	34
Less stable deposits	51.121.621	25.675.246	5.112.162	2.567.525
Unsecured Funding other than Retail and Small Business Customers Deposits	68.566.219	31.903.268	40.520.630	17.233.336
Operational deposits	-	-	-	-
Non-Operational deposits	55.217.263	26.946.414	29.254.331	12.276.482
Other Unsecured funding	13.348.956	4.956.854	11.266.299	4.956.854
Secured funding	-	-	-	-
Other Cash Outflows	10.764.663	9.704.586	10.764.265	9.704.188
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	10.764.095	9.704.018	10.764.095	9.704.018
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	568	568	170	170
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	58.439.430	37.172.450	2.921.972	1.858.623
Other irrevocable or conditionally revocable commitments	58.288.542	9.963.887	4.197.779	653.655
Total Cash Outflows			64.414.647	32.017.361
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	25.406.848	8.283.971	17.043.616	6.327.234
Other Contractual Cash Inflows	9.585.283	7.961.171	9.585.283	7.961.171
Total Cash Inflows	34.992.131	16.245.142	26.628.899	14.288.405
			Capped Amounts	
Total High Quality Liquid Assets			37.422.117	20.923.220
Total Net Cash Outflows			37.785.748	17.728.956
Liquidity Coverage Ratio (%)			99,04	118,02

(1) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratio's 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.

	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	May 13, 2016	May 6, 2016	May 27, 2016	June 10, 2016
Ratio(%)	96,77	87,98	145,26	107,51

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Breakdown of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified ⁽¹⁾⁽²⁾	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and Balances with the Central Bank of the Republic of Turkey	10.465.604	24.372.648	-	-	-	-	-	34.838.252
Banks	1.295.626	876.897	2.423.431	219.536	-	-	-	4.815.490
Financial assets at fair value through profit or loss	6.746	423.854	195.211	387.060	800.655	376.661	24.943	2.215.130
Money market placements	-	258.813	-	-	-	-	-	258.813
Available-for-sale financial assets	72.756	61.398	2.725	1.019.734	11.355.243	8.002.833	120.020	20.634.709
Loans	-	31.272.094	16.907.672	50.478.733	65.612.661	21.565.735	2.009.960	187.846.855
Held-to-maturity Investments	-	-	1.964	1.413.565	1.988.610	8.312.928	-	11.717.067
Other assets ⁽¹⁾	3.138.768	1.564.119	1.812.193	2.844.228	6.332.662	1.003.288	7.468.657	24.163.915
Total assets	14.979.500	58.829.823	21.343.196	56.362.856	86.089.831	39.261.445	9.623.580	286.490.231
Liabilities								
Bank deposits	339.823	4.736.163	450.152	1.252.719	-	-	-	6.778.857
Other deposits	29.669.796	79.188.808	40.339.544	7.098.326	1.007.519	144.016	-	157.448.009
Funds borrowed from other financial institutions	-	3.579.598	4.620.182	15.594.623	8.293.287	575.080	-	32.662.770
Funds from money market	-	6.541.614	1.887.751	420.823	-	-	-	8.850.188
Marketable securities issued	-	732.731	1.894.821	2.022.701	9.641.778	6.306.658	-	20.598.689
Miscellaneous payables	1.051.905	9.919.194	199.189	148.494	2	-	140.691	11.459.475
Other liabilities ⁽²⁾	3.525.966	262.819	995.725	516.354	1.451.635	9.414.924	32.524.820	48.692.243
Total liabilities	34.587.490	104.960.927	50.387.364	27.054.040	20.394.221	16.440.678	32.665.511	286.490.231
Net liquidity gap	(19.607.990)	(46.131.104)	(29.044.168)	29.308.816	65.695.610	22.820.767	(23.041.931)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	71.095	(142.416)	(259.663)	348.493	(375.335)	-	(357.826)
Derivative Financial Liabilities	-	34.081.873	19.756.454	16.622.570	48.481.492	20.035.216	-	138.977.605
Non-Cash Loans	-	2.504.604	7.687.349	27.246.451	11.054.465	3.828.414	22.545.382	74.866.665
Prior Period								
Total assets	14.834.126	52.856.245	23.929.783	45.701.003	63.388.556	60.489.759	9.935.118	271.134.590
Total liabilities	30.240.996	112.451.032	34.292.751	32.198.260	15.869.132	15.625.796	30.456.623	271.134.590
Liquidity gap	(15.406.870)	(59.594.787)	(10.362.968)	13.502.743	47.519.424	44.863.963	(20.521.505)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(93.946)	143.170	315.222	307.331	(307.266)	-	364.511
Derivative Financial Liabilities	-	34.949.543	16.618.726	19.487.152	38.499.350	19.688.420	-	129.243.191
Non-Cash Loans	-	2.484.004	8.277.071	19.733.514	11.905.355	4.248.532	21.806.008	68.454.484

(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.

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7. Explanations on consolidated leverage ratio:

There is no significant changes between the leverage ratio of current and prior period.

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

		Current Period ⁽²⁾	Prior Period ⁽²⁾
1	Total assets in the consolidated financial statements prepared in accordance with TAS ^{(1),(2)}	281.104.368	258.250.351
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 Communique on Preparation of Consolidated Financial Statements of the Banks	2.374.902	2.357.502
3	Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	2.908.869	2.628.564
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(2.856.918)	(7.113.205)
5	Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(13.016.501)	(10.420.733)
6	Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(1.163.885)	1.994.243
		436.703.02	396.988.96
7	Total Risks	0	0

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique 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		
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	280.141.556	257.109.769
2	(Asset amounts deducted in determining Tier 1 capital)	(2.968.909)	(3.123.919)
3	Total on-Balance sheet exposures	277.172.647	253.985.850
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	1.064.785	1.114.120
5	Potential credit risk of derivative financial instruments and credit derivatives	2.908.869	2.628.564
6	Total derivative financial instruments and credit derivatives exposure	3.973.654	3.742.684
	Securities financing transaction exposure		
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	1.368.646	535.578
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	1.368.646	535.578
	Off-balance sheet items		
10	Off-balance sheet exposure at gross notional amount	167.204.574	149.145.581
11	(Adjustments for conversion to credit equivalent amounts)	(13.016.501)	(10.420.733)
12	Total risk of off-balance sheet items	154.188.073	138.724.848
	Capital and total exposure		
13	Tier 1 capital	25.731.650	23.372.447
14	Total exposures	436.703.020	396.988.960
	Leverage ratio		
15	Leverage ratio (%)	5,89%	5,89%

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

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8. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of June 30, 2017:

- 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 June 30, 2017 of these hedging instruments are presented in the table below:

	Current Period			Prior Period		
	Notional ⁽¹⁾	Asset	Liability	Notional ⁽¹⁾	Asset	Liability
Hedging instrument						
Interest rate swap / cross currency swap (CFH)	31.172.034	976.115	87.551	24.782.722	963.417	38.839
Cross currency interest rate swap (FVH)	1.072.463	50.390	85.605	1.208.283	246.295	50.457
Total	32.244.497	1.026.505	173.156	25.991.005	1.209.712	89.296

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 32.789.619 (December 31, 2016 - TL 26.681.427) the total notional of derivative financial assets amounting to TL 65.034.116 (December 31, 2016 - TL 52.672.432) is accounted for in off-balance sheet under "Hedging Derivative Financial Instruments" line item.

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 3. Part 4.

Fair value hedge accounting:

Starting from March 1, 2009, the Parent 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 fair value effects of changes in foreign exchange rates on part of its foreign currency denominated funding by using cross-currency interest rate swaps. The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS 39-Financial Instruments: Recognition and Measurement".

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⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	14.187	-	85.581	9.853
Prior 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⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds	Fixed interest and changes in foreign exchange rate risk	4.334	205.519	49.949	14.710

(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 22.081 (December 31 2016- TL 2.528).

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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- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same methodology. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", 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 and the effectiveness of risk relationships are measured. 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	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	976.115	87.551	333.687	(45.462)

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	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	963.417	38.839	379.149	111.185

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 3.980 (December 31, 2016 – TL 5.290).

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- Financial Instruments: Recognition and Measurement" and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. In accordance with "TAS 39- Financial Instruments: Recognition and Measurement", the effectiveness tests of the relationships are performed in accordance with the Bank's risk management policies.

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The effectiveness tests are performed on a monthly basis and the effectiveness of risk relationships are measured. 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.

Hedge From Foreign Net Investment Risk

The Group hedges part of the currency translation risk of net investments in foreign operations through foreign currency borrowings. The Group's Euro 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 June 30, 2017 is EUR 398 million (December 31, 2016 - EUR 386 million).

9. 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.

10. Explanations on consolidated operating segments:

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

- Retail Banking
- Corporate and Commercial Banking
- 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.

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 –

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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:

	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
Current Period⁽²⁾⁽³⁾								
Operating revenue continuing	2.309.811	1.639.299	142.736	159.493	335.112	2.252.122	(4.032)	6.834.541
Operating expenses continuing	(2.250.620)	(469.350)	(53.148)	(68.854)	(131.170)	(1.536.817)	4.032	(4.505.927)
Net operating income continuing	59.191	1.169.949	89.588	90.639	203.942	715.305	-	2.328.614
Dividend income ⁽²⁾	-	-	-	-	-	10.278	-	10.278
Income/Loss from Investments accounted based on equity method	-	-	-	-	-	47.094	-	47.094
Profit before tax	59.191	1.169.949	89.588	90.639	203.942	772.677	-	2.385.986
Tax expense ⁽²⁾	-	-	-	-	-	(492.754)	-	(492.754)
Net period income from continuing operations	59.191	1.169.949	89.588	90.639	203.942	279.923	-	1.893.232
Minority interest (-)	-	-	-	-	-	(34)	-	(34)
Group income/loss	59.191	1.169.949	89.588	90.639	203.942	279.889	-	1.893.198
Segment assets	75.947.078	92.873.028	168.340	10.705.984	17.861.072	91.119.469	(2.920.993)	285.753.978
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	736.253	-	736.253
Total assets	75.947.078	92.873.028	168.340	10.705.984	17.861.072	91.855.722	(2.920.993)	286.490.231
Segment liabilities	68.488.956	59.988.898	33.549.918	8.757.134	15.524.353	74.606.452	(2.918.760)	257.996.951
Shareholders' equity	-	-	-	-	-	28.493.280	-	28.493.280
Total liabilities	68.488.956	59.988.898	33.549.918	8.757.134	15.524.353	103.099.732	(2.918.760)	286.490.231

	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
Prior Period⁽²⁾⁽³⁾								
Operating revenue continuing	2.220.197	1.367.496	118.422	124.226	281.509	1.828.333	(4.461)	5.935.722
Operating expenses continuing	(2.002.745)	(446.001)	(49.844)	(71.872)	(103.367)	(1.327.215)	4.461	(3.996.583)
Net operating income continuing	217.452	921.495	68.578	52.354	178.142	501.118	-	1.939.139
Dividend income ⁽²⁾	-	-	-	-	-	6.054	-	6.054
Income/Loss from Investments accounted based on equity method	-	-	-	-	-	33.262	-	33.262
Profit before tax	217.452	921.495	68.578	52.354	178.142	540.434	-	1.978.455
Tax expense ⁽²⁾	-	-	-	-	-	(426.281)	-	(426.281)
Net period income from continuing operations	217.452	921.495	68.578	52.354	178.142	114.153	-	1.552.174
Minority interest (-)	-	-	-	-	-	(36)	-	(36)
Group income/loss	217.452	921.495	68.578	52.354	178.142	114.117	-	1.552.138
Segment assets	71.341.470	88.591.658	156.652	9.257.004	16.852.514	88.036.974	(3.796.213)	270.440.059
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	694.531	-	694.531
Total assets	71.341.470	88.591.658	156.652	9.257.004	16.852.514	88.731.505	(3.796.213)	271.134.590
Segment liabilities	61.218.411	55.827.497	32.536.775	7.499.987	14.606.510	77.118.308	(3.794.051)	245.013.437
Shareholders' equity	-	-	-	-	-	26.121.153	-	26.121.153
Total liabilities	61.218.411	55.827.497	32.536.775	7.499.987	14.606.510	103.239.461	(3.794.051)	271.134.590

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

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Section five - Explanations and notes related to consolidated financial statements

1. Explanations and notes related to consolidated assets:

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

1.1.1 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	1.587.064	1.433.028	1.451.290	1.247.992
The CBRT ⁽¹⁾	2.572.444	28.129.516	7.600.149	22.123.910
Other	-	1.116.200	-	659.954
Total	4.159.508	30.678.744	9.051.439	24.031.856

(1) The balance of gold amounting to TL 4.788.894 is accounted for under the Central Bank foreign currency account (December 31, 2016 – TL 4.784.973).

1.1.2 Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	1.467.060	5.005.488	7.600.149	196.747
Time unrestricted amount	1.105.384	-	-	-
Time restricted amount	-	1.320.990	-	2.107.234
Reserve requirement ⁽²⁾	-	21.803.038	-	19.819.929
Total	2.572.444	28.129.516	7.600.149	22.123.910

(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 Group 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".

1.2. 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 and there is no financial assets at fair value through profit and loss given as collateral/blocked (December 31, 2016 - None).

1.3. Positive differences related to trading derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	323.819	8	341.551	52
Swap transactions ⁽¹⁾	1.284.974	378.839	2.175.021	359.084
Futures transactions	-	-	-	-
Options	101.450	59.783	87.886	33.873
Other	1.018	1.133	15	-
Total	1.711.261	439.763	2.604.473	393.009

(1) Includes Credit Default Swaps

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1.4. Information on banks:

1.4.1 Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	1.692.138	1.224.768	42.324	1.721.272
Foreign ⁽¹⁾	21.968	1.876.616	813	1.684.557
Head quarters and branches abroad	-	-	-	-
Total	1.714.106	3.101.384	43.137	3.405.829

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 35.428 (December 31, 2016 - 21.364 TL).

1.5. 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 1.202.671 (December 31, 2016 - TL 1.567.715) and available-for-sale financial assets subject to repo transactions amounts to TL 3.390.508 (December 31, 2016 - TL 3.651.723).

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

	Current Period	Prior Period
Debt securities	20.578.333	18.381.399
Quoted on stock exchange	19.759.016	17.566.627
Not quoted ⁽¹⁾	819.317	814.772
Share certificates	165.339	152.061
Quoted on stock exchange	124	119
Not quoted	165.215	151.942
Impairment provision (-) ⁽²⁾	(181.719)	(243.991)
Other ⁽³⁾	72.756	96.640
Total	20.634.709	18.386.109

(1) Includes credit linked notes amounting to TL 477.945 (December 31, 2016 - TL 475.930).

(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 market price of the securities and the impairment provisions, if any.

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

1.7. Explanations on loans:

1.7.1 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	5.386	1.340.895	105.720	1.158.561
Loans granted to employees	148.595	482	150.384	620
Total	153.981	1.341.377	256.104	1.159.181

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1.7.2 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	180.451.667	3.194.750	-	5.385.228	2.674.238	139.667
Loans given to enterprises	88.441.854	1.202.075	-	1.697.494	1.102.097	101.810
Export loans	7.277.817	159.670	-	74.636	56.237	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	4.722.006	-	-	-	-	-
Consumer loans	31.343.525	866.239	-	1.067.886	301.413	22.807
Credit cards	22.168.865	708.039	-	408.203	182.186	10.665
Other	26.497.600	258.727	-	2.137.009	1.032.305	4.385
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	180.451.667	3.194.750	-	5.385.228	2.674.238	139.667

(1) Fair value differences of the hedged items amounting to TL 4.340 are classified in other loans as explained in Note 8, Section 4.

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of modifications made to extend payment plan⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾		
Extended by 1 or 2 times	2.908.027	2.278.074
Extended by 3,4 or 5 times	249.134	359.507
Extended by more than 5 times	37.589	36.657
Total	3.194.750	2.674.238

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of modifications made to extend payment plan⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾		
0 - 6 Months	513.102	249.546
6 - 12 Months	148.324	201.353
1 - 2 Years	269.225	275.228
2 - 5 Years	1.606.504	1.002.836
5 Years and over	657.595	945.275
Total	3.194.750	2.674.238

- (1) There is no loan which is subject to the temporary article 5 subsection 2 of the amendment of Provisioning Regulation dated on April 9, 2011.
- (2) There are 54 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. 33 of them were restructured once or twice, 12 of them were structured three, four or five times, 9 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 421 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. 356 of them were restructured once or twice, 46 of them were restructured three, four or five times, 19 of them were structured more than five times.

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1.7.3 Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short- term	Medium and long-term	Total
Consumer loans-TL	275.961	30.675.209	30.951.170
Real estate loans	4.861	13.325.097	13.329.958
Automotive loans	9.653	350.685	360.338
Consumer loans	261.447	16.999.427	17.260.874
Other	-	-	-
Consumer loans-FC indexed	-	26.435	26.435
Real estate loans	-	25.940	25.940
Automotive loans	-	-	-
Consumer loans	-	495	495
Other	-	-	-
Consumer loans-FC	19.689	45.535	65.224
Real estate loans	288	15.517	15.805
Automotive loans	490	319	809
Consumer loans	7.552	15.540	23.092
Other	11.359	14.159	25.518
Individual credit cards-TL	15.094.331	869.566	15.963.897
With installments	7.915.408	859.016	8.774.424
Without installments	7.178.923	10.550	7.189.473
Individual credit cards-FC	32.419	31.958	64.377
With installments	21.002	31.958	52.960
Without installments	11.417	-	11.417
Personnel loans-TL	5.058	57.592	62.650
Real estate loans	58	2.110	2.168
Automotive loans	-	115	115
Consumer loans	5.000	55.367	60.367
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	429	579	1.008
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	134	470	604
Other	295	109	404
Personnel credit cards-TL	81.892	494	82.386
With installments	38.650	494	39.144
Without installments	43.242	-	43.242
Personnel credit cards-FC	788	82	870
With installments	387	82	469
Without installments	401	-	401
Credit deposit account-TL (Real Person)⁽¹⁾	1.304.837	-	1.304.837
Credit deposit account-FC (Real Person)	87	-	87
Total	16.815.491	31.707.450	48.522.941

(1) TL 1.681 of the credit deposit account belongs to the loans used by personnel.

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

	Current Period		
	Short- term	Medium and long-term	Total
Commercial installments loans-TL	874.061	14.558.451	15.432.512
Business loans	3.503	1.115.395	1.118.898
Automotive loans	45.583	1.230.000	1.275.583
Consumer loans	824.975	12.213.056	13.038.031
Other	-	-	-
Commercial installments loans-FC indexed	7.699	188.991	196.690
Business loans	-	16.412	16.412
Automotive loans	-	49.980	49.980
Consumer loans	7.699	122.599	130.298
Other	-	-	-
Commercial installments loans-FC	-	-	-
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	6.462.902	2.355	6.465.257
With installment	4.212.789	871	4.213.660
Without installment	2.250.113	1.484	2.251.597
Corporate credit cards-FC	281	-	281
With installment	-	-	-
Without installment	281	-	281
Credit deposit account-TL (legal person)	1.012.037	-	1.012.037
Credit deposit account-FC (legal person)	-	-	-
Total	8.356.980	14.749.797	23.106.777

1.7.5. Distribution of domestic and foreign loans: Distribution has been disclosed based on the location where the customers operate⁽¹⁾:

	Current Period	Prior Period
Domestic loans	182.483.315	172.498.400
Foreign loans	3.353.580	3.987.437
Total	185.836.895	176.485.837

(1) Loans are classified according to the locations of the customers .

1.7.6. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	45.817	21.974
Indirect loans granted to associates and subsidiaries	-	-
Total	45.817	21.974

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1.7.7. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	109.580	167.995
Loans and other receivables with doubtful collectability	741.396	722.883
Uncollectible loans and other receivables	5.521.982	5.779.704
Total	6.372.958	6.670.582

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

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

	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			
(Gross amounts before specific reserves)	27.691	40.646	283.604
Restructured loans and other receivables	27.691	40.646	283.604
Rescheduled loans and other receivables	-	-	-
Prior Period			
(Gross amounts before specific reserves)	20.912	94.711	327.640
Restructured loans and other receivables	20.912	94.711	327.640
Rescheduled loans and other receivables	-	-	-

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1.7.8.2. 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	1.019.794	1.820.638	6.008.735
Additions (+)	1.454.295	51.797	60.472
Transfers from other categories of non-performing loans (+)	-	1.681.662	1.733.553
Transfer to other categories of non-performing loans (-)	(1.681.662)	(1.733.553)	-
Collections (-)	(107.728)	(172.848)	(430.355)
FX valuation differences	(547)	407	(255)
Write-offs (-)	-	-	(1.321.487)
Corporate and commercial loans	-	-	(191.529)
Consumer loans	-	-	(649.786)
Credit cards	-	-	(480.172)
Other	-	-	-
Current Period	684.152	1.648.103	6.050.663
Specific provision (-)	(109.580)	(741.396)	(5.521.982)
Net balance on balance sheet	574.572	906.707	528.681

By Board of Directors resolution; it has been decided to sell non-performing loans which comprises of consumer loans, commercial loans and credit cards under follow-up with legal receivable amounting to TL 1.393.040, to a selection of asset management companies for a total amount of TL 72.307.

1.7.8.3. 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	407	1.863	145.557
Specific provision (-)	(397)	(1.519)	(85.236)
Net balance on-balance sheet	10	344	60.321
Prior Period			
Period end balance	310	14.016	128.698
Specific provision (-)	(169)	(7.483)	(74.747)
Net balance on-balance sheet	141	6.533	53.951

(1) Foreign currency non-performing loans of the Parent Bank are translated with the exchange rates at the date of transfer to TL non-performing loans accounts.

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1.7.8.4. 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)	574.572	906.707	528.681
Loans granted to real persons and corporate entities (gross)	684.152	1.619.694	5.965.902
Specific provision amount (-)	(109.580)	(727.192)	(5.437.221)
Loans granted to real persons and corporate entities (net)	574.572	892.502	528.681
Banks (gross)	-	28.409	774
Specific provision amount (-)	-	(14.204)	(774)
Banks (net)	-	14.205	-
Other loans and receivables (gross)	-	-	83.987
Specific provision amount (-)	-	-	(83.987)
Other loans and receivables (Net) ⁽¹⁾	-	-	-
Prior Period (net)	851.799	1.097.755	229.031
Loans granted to real persons and corporate entities (gross)	1.019.794	1.820.638	5.900.172
Specific provision amount (-)	(167.995)	(722.883)	(5.671.141)
Loans granted to real persons and corporate entities (Net)	851.799	1.097.755	229.031
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.

1.8. Information on held-to-maturity investments:

1.8.1. Characteristics and carrying values of held-to-maturity investments subject to repurchase agreements given as collateral / blocked:

Held-to-maturity investments given as collateral/blocked amounts to TL 5.877.591 (December 31, 2016 - TL 2.779.442). Held-to-maturity investments subject to repurchase agreements amount to TL 1.665.247 (December 31, 2016 - TL 2.990.209).

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

	Current Period	Prior Period
Government bond	10.884.375	10.789.054
Treasury bill	-	-
Other debt securities	832.692	799.836
Total	11.717.067	11.588.890

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

	Current Period	Prior Period
Debt securities	12.049.333	11.887.471
Quoted on stock exchange	12.049.333	11.887.471
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(332.266)	(298.581)
Total	11.717.067	11.588.890

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

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

	Current Period	Prior Period
Beginning balance	11.588.890	7.108.809
Foreign currency differences on monetary assets ⁽¹⁾	104.337	1.203.918
Purchases during year	209.429	1.703.125
Transfers ⁽²⁾	-	1.960.740
Disposals through sales and redemptions	(151.904)	(283.389)
Impairment provision (-) ⁽³⁾	(33.685)	(104.313)
Period end balance	11.717.067	11.588.890

(1) Also includes the changes in the interest income accruals.

(2) As of July 18, 2016, the Bank classified some of its government debt securities from available-for-sale to held-to-maturity portfolio with a nominal amount of TL 1.970.607. The fair value of the aforementioned securities on July 18, 2016 is TL 2.008.079 and has 8 year maturity in average.

(3) Includes amortization of the premiums paid during the purchase of the securities throughout the maturity of the securities and the impairment provisions, if any.

1.9. Information on investments in associates (net):

1.9.1. 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/Türkiye	18,18	18,18
2	Bankalararası Kart Merkezi A.Ş. ⁽¹⁾	Istanbul/Türkiye	9,98	9,98

1.9.2. Main financial figures of the investments in associates in the 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	251.695	153.446	174.795	974	17	14.597	5.766	-
2	79.690	43.312	50.931	359	-	3.416	4.923	-

(1) Financial statement information disclosed above shows March 31, 2017 results.

1.9.3. Consolidated investments in associates:

1.9.4. 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⁾
1	Banque de Commerce et de Placements S.A.	Geneva/ Switzerland	30,67	-
2	Allianz Yaşam ve Emeklilik A.Ş.	İstanbul/Türkiye	-	20,00

(1) The other shareholders represent the consolidated Group companies.

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1.9.5. 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	15.198.067	1.701.099	11.875	109.840	13.322	95.666	62.176	-
2	1.328.619	401.714	26.268	138.273	-	163.207	94.100	-

1.9.6. Movement of consolidated investments in associates:

	Current Period	Prior Period
Balance at the beginning of the period	664.614	545.225
Movements during the period	41.651	119.389
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	47.023	88.099
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries ⁽¹⁾	32.141	58.861
Impairment provision ⁽²⁾	(37.513)	(27.571)
Balance at the end of the period	706.265	664.614
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

1.9.7. Information on sectors and the carrying amounts of consolidated investments in associates:

	Current Period	Prior Period
Banks	488.066	437.143
Insurance companies	218.199	227.471
Total financial investments	706.265	664.614

1.9.8. Investments in associates quoted on stock exchange: None.

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1.10. Information on 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.

1.10.1. 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	13.630	-	-	-	(2.238)
Other capital reserves	93.686	(6)	(217.064)	-	-
Legal reserves	68.310	8.034	79.305	21.310	-
Extraordinary reserves	194.481	10.458	771.384	-	572.993
Other reserves	-	-	-	-	613.272
Profit/loss	(10.933)	118.734	818.662	15.020	48.474
Current period net profit	59.013	16.982	118.084	15.020	48.474
Prior period profit	(69.946)	101.752	700.578	-	-
Leasehold improvements (-)	-	-	330	167	68
Intangible assets (-)	21.416	2.035	4.722	430	64
Total core capital	450.373	195.899	1.837.163	41.440	1.344.811
Supplementary capital	-	10.127	45.773	-	224
Capital	450.373	206.026	1.882.936	41.440	1.345.035
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	450.373	206.026	1.882.936	41.440	1.345.035

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 June 30, 2017.

The internal capital adequacy for the subsidiaries is calculated with the model and approaches used in the Parent Bank within the scope of the consolidated Internal Capital Adequacy Assessment Process ("ICAAP") report.

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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1.10.2. Unconsolidated subsidiaries:

1.10.2.1. 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.	İstanbul/Türkiye	99,99	100,00
2 Enternasyonal Turizm Yatırım A.Ş.	İstanbul/Türkiye	99,96	99,99
3 Yapı Kredi Teknoloji A.Ş.	İstanbul/Türkiye	100,00	100,00

1.10.2.2. 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	32.260	26.256	1.180	59	-	3.422	2.881	-
2	39.824	26.985	4.911	1.201	-	1.106	798	-
3	9.347	7.662	1.397	353	-	1.403	225	-

(1) Financial statement information disclosed above shows June 30, 2017 results.

1.10.3. Consolidated subsidiaries:

1.10.3.1. 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	İstanbul/Turkey	99,98	100,00
3 Yapı Kredi Faktoring	İstanbul/Turkey	99,95	100,00
4 Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5 Yapı Kredi Leasing	İstanbul/Turkey	99,99	99,99
6 Yapı Kredi Portföy	İstanbul/Turkey	12,65	99,99
7 Yapı Kredi NV ⁽¹⁾	Amsterdam/Nederlands	67,24	100,00
8 Yapı Kredi Azerbaycan ⁽²⁾	Bakü/Azerbaijan	99,80	100,00
9 Yapı Kredi Malta	St.Julian/Malta	-	100,00

Although Yapı Kredi Diversified Payment Rights Finance Company ("Special Purpose Entity") which is established for securitisation transactions of Yapı Kredi is not a subsidiary, it is included in the consolidation as the Bank has a control of 100%.

(1) Includes the balances for Sticking Custody Services YKB.

(2) Includes the balances for Yapı Kredi Invest LLC.

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1.10.3.2. Main financial figures of the consolidated subsidiaries in the order of the below 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	Required equity
1	229.350	228.998	-	-	-	(562)	(140)	-	-
2	4.940.943	476.293	43.002	126.167	2.936	59.013	41.213	-	-
3	3.101.745	197.934	2.673	111.360	-	16.982	14.920	-	-
4	493.249	208.290	16.280	19.967	851	7.133	6.140	-	-
5	9.989.553	1.842.215	5.567	302.342	-	118.084	119.226	-	-
6	50.571	42.017	961	3.057	-	15.020	12.154	-	-
7	8.490.139	1.344.944	681	196.257	6.577	48.474	33.004	-	-
8	1.111.446	148.579	29.767	29.611	104	13.546	347	-	-
9	602.251	238.490	2.642	10.296	153	2.414	(651)	-	-

1.10.4. Movement schedule of consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	4.225.724	3.614.436
Movements during the period	273.313	611.288
Purchases ⁽¹⁾	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	256.455	431.423
Sales	-	-
Transfers	-	-
Revaluation (decrease) / increase ⁽¹⁾	120.912	270.579
Impairment provision ⁽²⁾	(104.054)	(90.714)
Balance at the end of the period	4.499.037	4.225.724
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

(1) Includes the differences in the other comprehensive income of consolidated subsidiaries.
(2) Includes dividend income received in the current period.

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

Financial Subsidiaries	Current Period	Prior Period
Banks	1.260.627	1.136.275
Insurance companies	-	-
Factoring companies	197.840	214.850
Leasing companies	1.842.104	1.724.028
Finance companies	-	-
Other financial subsidiaries	1.198.466	1.150.571
Total financial subsidiaries	4.499.037	4.225.724

1.10.6. Subsidiaries quoted on stock exchange:

None.

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1.11. Information on joint ventures (net):

1.11.1. Unconsolidated joint ventures:

None.

1.11.2. Consolidated joint ventures:

1.11.2.1. 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	86.785	64.184	29.876	56.909	8.869	30.885	(30.259)
Total			86.785	64.184	29.876	56.909	8.869	30.885	(30.259)

1.12. Information on lease receivables (net):

1.12.1. Breakdown according to maturities:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	3.403.813	2.791.050	2.932.321	2.402.637
Between 1- 4 years	5.633.007	4.640.807	5.196.033	4.378.313
More than 4 years	1.789.834	1.603.402	1.705.737	1.523.536
Total	10.826.654	9.035.259	9.834.091	8.304.486

1.12.2. Information for net investments in finance leases:

	Current Period		Prior Period	
	TL	FC	TL	FC
Gross lease receivables	2.677.454	8.149.200	2.229.318	7.604.773
Unearned financial income from leases (-)	(656.155)	(1.135.240)	(509.000)	(1.020.605)
Amount of cancelled leases (-)	-	-	-	-
Total	2.021.299	7.013.960	1.720.318	6.584.168

1.13. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	50.390	-	246.295	-
Cash flow hedge ⁽¹⁾	869.502	106.613	850.313	113.104
Foreign net investment hedge	-	-	-	-
Total	919.892	106.613	1.096.608	113.104

(1) Explained in the note 10 of Section 4.

1.14. Information on investment property:

None (December 31, 2016 - None).

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1.15. 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	166.183	153.922
Additions	78.524	98.410
Disposals (-), net	(75.586)	(81.544)
Impairment provision reversal	284	1.908
Impairment provision (-)	-	(416)
Depreciation (-)	-	(5.714)
Translation differences	158	(383)
Net book value at the end of the period	169.563	166.183
Cost at the end of the period	183.062	182.137
Accumulated depreciation at the end of the period (-)	(13.499)	(15.954)
Net book value at the end of the period	169.563	166.183

As of June 30, 2017, the Group booked impairment provision on assets held for resale with an amount of TL 6.062 (December 31, 2016 - TL 6.346).

1.16. Information on other assets:

As of June 30, 2017, other assets do not exceed 10% of the total assets.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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2. Explanations and notes related to consolidated liabilities:

2.1. Information on deposits:

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

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 savings account	Total
Saving deposits	6.463.166	6.893	1.177.643	33.176.051	1.539.870	169.839	159.352	774	42.693.588
Foreign currency deposits	15.345.278	100.580	13.213.278	37.928.402	4.686.811	4.570.619	2.345.807	-	78.190.775
Residents in Turkey	12.902.218	17.093	12.810.749	36.831.951	1.974.511	2.314.279	962.557	-	67.813.358
Residents abroad	2.443.060	83.487	402.529	1.096.451	2.712.300	2.256.340	1.383.250	-	10.377.417
Public sector deposits	1.187.308	-	3	5.007	2.110	365	69	-	1.194.862
Commercial deposits	5.834.159	-	3.416.938	18.496.344	1.344.199	776.813	495.705	-	30.364.158
Other institutions deposits	106.499	-	41.982	2.634.103	779.440	263.472	511	-	3.826.007
Precious metals vault	733.386	-	77.441	297.311	22.617	38.802	9.062	-	1.178.619
Bank deposits	339.823	128.461	3.974.307	993.033	679.760	625.589	37.884	-	6.778.857
The CBRT	-	-	1.098.827	-	-	-	-	-	1.098.827
Domestic banks	9.950	496	2.454.032	480.917	145.454	23.657	2.129	-	3.116.635
Foreign banks	214.081	127.965	421.448	512.116	534.306	601.932	35.755	-	2.447.603
Participation banks	115.792	-	-	-	-	-	-	-	115.792
Other	-	-	-	-	-	-	-	-	-
Toplam	30.009.619	235.934	21.901.592	93.530.251	9.054.807	6.445.499	3.048.390	774	164.226.866

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 savings account	Total
Saving deposits	6.145.162	2.534	1.392.165	31.602.890	1.555.624	209.889	174.943	485	41.083.692
Foreign currency deposits	12.804.821	36.207	9.292.694	36.447.490	3.899.045	4.665.206	2.289.801	-	69.435.264
Residents in Turkey	11.421.891	18.796	9.186.288	35.929.631	3.589.035	4.035.721	1.220.512	-	65.401.874
Residents abroad	1.382.930	17.411	106.406	517.859	310.010	629.485	1.069.289	-	4.033.390
Public sector deposits	230.784	-	35	3.797	16	180	59	-	234.871
Commercial deposits	6.795.962	-	4.835.125	17.433.057	2.765.952	1.302.572	333.090	-	33.465.758
Other institutions deposits	103.771	-	81.880	2.400.983	785.374	423.524	575	-	3.796.107
Precious metals vault	488.106	-	43.940	309.337	19.931	31.543	7.532	-	900.389
Bank deposits	613.650	42.914	5.559.697	971.004	275.121	670.239	39.489	-	8.172.114
The CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	1.931	-	5.329.588	392.639	117.925	19.278	4.170	-	5.865.531
Foreign banks	181.583	42.914	230.109	578.365	157.196	650.961	35.319	-	1.876.447
Participation banks	430.136	-	-	-	-	-	-	-	430.136
Other	-	-	-	-	-	-	-	-	-
Toplam	27.182.256	81.655	21.205.536	89.168.558	9.301.063	7.303.153	2.845.489	485	157.088.195

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2.1.2. Information on saving deposits insurance:

2.1.2.1. 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	22.259.217	21.149.862	20.721.983	20.005.450
Foreign currency savings deposit	9.194.417	7.420.214	25.066.082	21.307.662
Other deposits in the form of savings deposits	462.929	329.328	602.855	480.438
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.

2.1.2.2. 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	6.683	6.581
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	262.333	202.939
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	-	-

2.2. Information on trading derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	57.108	104	194.823	-
Swap transactions ⁽¹⁾	1.455.602	200.769	1.914.258	343.058
Futures transactions	-	-	-	-
Options	97.167	59.689	79.854	45.617
Other	13	8.714	-	1.069
Total	1.609.890	269.276	2.188.935	389.744

(1) Includes Credit Default Swaps

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2.3. Information on banks and other financial institutions:

2.3.1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	1.303.313	-	418.480
From domestic banks and institutions	1.299.109	1.259.233	985.663	1.387.972
From foreign banks, institutions and funds	399.895	28.401.220	381.767	27.334.892
Total	1.699.004	30.963.766	1.367.430	29.141.344

2.3.2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	1.093.644	2.858.223	732.279	2.896.348
Medium and long-term	605.360	28.105.543	635.151	26.244.996
Total	1.699.004	30.963.766	1.367.430	29.141.344

2.3.3. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.224.808	316.832	1.399.791	86.665
Asset backed securities	-	6.497.947	-	6.564.507
Bonds	3.172.122	9.386.980	2.591.092	7.438.412
Collateralized securities	288.606	-	288.650	-
Total	4.396.930	16.201.759	3.990.883	14.089.584

- (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- Financial Instruments: Recognition and Measurement" paragraph 9. As of June 30, 2017, the total amount of financial liabilities classified as fair value through profit/loss is TL 4.266.752 (December 31, 2016 - TL 4.111.709) with an accrued interest expense of TL 72.260 (December 31, 2016- TL 97.254) and with a fair value difference of TL TL 168.692 recognized in the income statement as an expense (December 31, 2016 - TL 19.783 expense). On the other hand, the nominal amounts of the total return swaps which are closely related with these financial liabilities as of June 30, 2017 are TL 4.019.137 (December 31, 2016: TL 4.033.003) for buy legs and TL 4.019.137 (December 31, 2016: TL 4.033.003) for sell legs with a fair value differences amounting to TL 51.172 (December 31, 2016: TL 97.052). 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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2.4. Information on other liabilities:

As of June 30, 2017, other liabilities do not exceed 10% of the total balance sheet commitments.

2.5. Information on lease payables:

2.5.1. Information on financial leasing agreements:

None (December 31, 2016 - None).

2.5.2. 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".

2.6. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	85.581	24	49.949	508
Cash flow hedge	61.830	25.721	16.314	22.525
Foreign net investment hedge	-	-	-	-
Total	147.411	25.745	66.263	23.033

(1) Explained in Note 8. of Section 4.

2.7. Information on provisions:

2.7.1. Information on general provisions:

	Current Period	Prior Period
I. Provisions for first group loans and receivables	2.573.810	2.475.808
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	<i>168.481</i>	<i>184.180</i>
II. Provisions for second group loans and receivables	256.633	268.623
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	<i>99.701</i>	<i>92.159</i>
Provisions for non-cash loans	113.332	107.664
Other	272.913	257.476
Total	3.216.688	3.109.571

2.7.2. 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- Employee Rights", necessitates actuarial valuation methods to calculate the liabilities of enterprises.

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

	Current Period	Prior Period
Discount rate (%)	4,50	4,50
Possibility of being eligible for retirement (%)	93,63	93,63

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 4.732,48 effective from July 1, 2017 (July 1, 2016 - full TL 4.287,21) has been taken into consideration in calculating the reserve for employment termination benefits.

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Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	129.510	141.388
Changes during the period	24.911	30.757
Recognized in equity	-	(2.683)
Paid during the period	(19.430)	(40.431)
Foreign currency differences	(268)	479
Balance at the end of the period	134.723	129.510

In addition, the Group has accounted for unused vacation rights provision amounting to TL 187.199 as of June 30, 2017 (December 31, 2016 - TL 171.811).

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

As of June 30, 2017, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 30.861 (December 31, 2016 - TL 708). Provisions related to the foreign currency difference of foreign currency indexed loans are netted from the loan amount in the financial statements.

2.7.4. Other provisions:

2.7.4.1. Information on other provisions:

	Current Period	Prior Period
Pension fund provision	568.006	568.006
Provisions on unindemnified non cash loans	147.314	150.517
Provisions on credit cards and promotion campaigns related to banking services	81.004	75.955
Provision on export commitment tax and funds liability	46.717	43.588
Other	272.722	345.114
Total	1.115.763	1.183.180

2.7.4.2. General reserves for possible losses:

	Current Period	Prior Period
General reserves for possible losses	150.000	100.000
Total	150.000	100.000

2.8. Explanations on tax liability:

2.8.1. Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	338.624	10.585
Taxation of Marketable Securities	143.476	108.253
Property Tax	2.994	2.872
Banking Insurance Transaction Tax ("BITT")	104.326	108.913
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	6.270	10.414
Other	32.765	37.975
Total	628.455	279.012

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2.8.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	386	88
Social security premiums - employer	433	102
Bank pension fund premiums - employee	16.244	15.310
Bank pension fund premiums - employer	16.762	15.798
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.159	1.093
Unemployment insurance - employer	2.321	2.187
Other	-	-
Total	37.305	34.578

2.8.3. Information on deferred tax liability:

There is a deferred tax liability amounting to TL 40.090 as of June 30, 2017 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-Income Taxes". (December 31, 2016 – TL 268.651).

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2.9. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	9.035.554	-	9.067.893
From other foreign institutions	-	-	-	-
Total	-	9.035.554	-	9.067.893

(1) Subordinated loans are explained in detail in the Note "Information on debt instruments included in the calculation of equity" in section four.

2.10. Information on shareholders' equity:

2.10.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	4.347.051	4.347.051
Preferred stock	-	-

2.10.2. Amount of paid-in capital, disclosure of whether the Bank's registered capital system is applied and if applied registered capital ceiling:

Capital System	Paid-In Capital	Registered Share Capital Ceiling
Registered Capital System	4.347.051	10.000.000

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

None (December 31, 2016 - None).

2.10.4. Information on transfers from capital reserves to capital during the current period:

None. (December 31, 2016 - None).

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

None. (December 31, 2016 - None).

2.10.6. 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.

2.10.7. Privileges on the corporate stock:

None. (December 31, 2016 - None).

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2.10.8. 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⁾	(37.218)	37.664	(377.643)	(86.111)
Valuation differences	(37.218)	37.664	(377.643)	(86.111)
Foreign currency differences	-	-	-	-
Total	(37.218)	37.664	(377.643)	(86.111)

(1) Includes current period foreign currency differences.

2.10.9 Explanations of profit distribution:

It was decided to distribute unconsolidated net profit of TL 2.932.795 as of December 31, 2016, in accordance with the General Assembly dated March 28, 2017 as follow: TL 24.871 to be transferred to legal reserves, TL 146.050 to be transferred to special funds account in accordance with the article No 5 1/e section of the Corporate Tax Law numbered 5520 as 75% of the profit from the sale of real estate and the remaining TL 2.761.874 to be transferred to extraordinary reserves.

2.11. Information on minority interest:

	Current Period	Prior Period
Period opening balance	502	474
Current period income/(loss)	34	65
Dividends paid	(38)	(37)
Period ending balance	498	502

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

3.1. Information on off balance sheet commitments:

3.1.1. The amount and type of irrevocable commitments:

	Current Period	Prior Period
Commitments on credit card limits	32.426.057	29.878.711
Loan granting commitments	8.949.411	8.877.881
Commitments for cheques	6.895.129	6.686.199
Other irrevocable commitments	24.620.417	20.964.614
Total	72.891.014	66.407.405

3.1.2. 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 113.332 (December 31, 2016 - TL 107.664) and specific provision amounting to TL 900.651 (December 31, 2016 - TL 875.166) for non-cash loans which are not indemnified yet amounting to TL 147.314 (December 31, 2016 - TL 150.517).

3.1.2.1. 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	251.947	195.766
Letter of credits	11.889.741	9.193.170
Other guarantees and collaterals	5.871.580	6.273.317
Total	18.013.268	15.662.253

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	3.154.894	3.060.589
Definite letter of guarantees	35.160.798	33.508.036
Advance letter of guarantees	8.763.270	8.291.959
Letter of guarantees given to customs	2.234.743	2.100.488
Other letter of guarantees	7.539.692	5.831.159
Total	56.853.397	52.792.231

3.1.3. Information on non-cash loans:

3.1.3.1. Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash loans given against cash loans	7.129.123	5.483.022
With original maturity of 1 year or less than 1 year	1.901.603	855.258
With original maturity of more than 1 year	5.227.520	4.627.764
Other non-cash loans	67.737.542	62.971.462
Total	74.866.665	68.454.484

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3.2. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 81.004 (December 31, 2016 – TL 75.955) 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.

4. Explanations and notes related to consolidated income statement:

4.1. Information on interest income:

4.1.1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans ⁽¹⁾	2.559.815	207.091	2.599.999	194.716
Medium/long-term loans ⁽¹⁾	3.955.814	1.806.235	3.442.346	1.333.655
Interest on loans under follow-up	45.575	-	38.443	35
Premiums received from resource utilisation support fund	-	-	-	-
Total	6.561.204	2.013.326	6.080.788	1.528.406

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

4.1.2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	54.370	18	-	-
From domestic banks	93.139	1.949	51.952	1.012
From foreign banks	843	24.362	1.511	14.932
Headquarters and branches abroad	-	-	-	-
Total	148.352	26.329	53.463	15.944

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	1.279	835	2.916	568
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	920.657	81.660	841.440	97.830
From held-to-maturity investments	238.458	199.390	100.767	155.773
Total	1.160.394	281.885	945.123	254.171

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

	Current Period	Prior Period
Interests received from associates and subsidiaries	767	552

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4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	74.222	489.251	44.491	315.091
The CBRT	-	2.626	-	-
Domestic banks	54.530	19.729	18.539	19.726
Foreign banks	19.692	466.896	25.952	295.365
Headquarters and branches abroad	-	-	-	-
Other institutions	-	98.535	68	125.082
Total⁽¹⁾	74.222	587.786	44.559	440.173

(1) Includes fees and commissions related to borrowings.

4.2.2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interests paid to associates and subsidiaries	2.558	1.618

4.2.3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	225.258	304.652	226.939	245.737
Total	225.258	304.652	226.939	245.737

4.2.4. 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	118	49.372	2.747	-	116	66	30	52.449	84.994
Saving deposit	-	64.846	1.821.827	78.497	9.526	8.056	-	1.982.752	1.739.954
Public sector deposit	-	2	1.082	42	13	3	-	1.142	5.164
Commercial deposit	13	183.670	970.071	96.110	69.271	24.030	-	1.343.165	1.250.448
Other deposit	-	8.776	321.752	58.561	7.728	20	-	396.837	281.254
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	131	306.666	3.117.479	233.210	86.654	32.175	30	3.776.345	3.361.814
FC									
Foreign currency deposit	836	168.985	572.217	30.805	34.857	26.531	-	834.231	531.795
Bank deposit	313	14.800	8.677	6.558	6.655	556	-	37.559	21.288
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	339	1.017	67	138	40	-	1.601	957
Total	1.149	184.124	581.911	37.430	41.650	27.127	-	873.391	554.040
Grand total	1.280	490.790	3.699.390	270.640	128.304	59.302	30	4.649.736	3.915.854

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

	Current Period	Prior Period
Gain	21.764.859	15.739.523
Gain from capital market transactions	67.501	102.834
Derivative financial transaction gains	7.233.868	5.613.447
Foreign exchange gains	14.463.490	10.023.242
Loss(-)	(21.806.146)	(15.639.334)
Loss from capital market transactions	(30.953)	(60.655)
Derivative financial transaction losses	(8.863.419)	(6.503.743)
Foreign exchange loss	(12.911.774)	(9.074.936)
Net gain/loss	(41.287)	100.189

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

The net loss resulting from the foreign exchange differences related to derivative financial transactions is TL 1.426.273 (June 30, 2016 - TL 824.784 loss).

4.5. Information on other operating income:

“Other Operating Income” in the Income Statement mainly includes collections from receivables for which Specific / General provision has been allocated in prior periods.

4.6. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	1.473.191	972.113
III. Group loans and receivables	54.028	19.427
IV. Group loans and receivables	87.085	155.501
V. Group loans and receivables	1.332.078	797.185
General provision expenses	107.081	277.610
Provision expense for possible risks	50.000	-
Marketable securities impairment expenses ⁽¹⁾	37.320	33.473
Financial assets at fair value through profit or loss	285	572
Available-for-sale financial assets	37.035	32.901
Impairment of investments in associates, subsidiaries and held-to-maturity securities	35.789	26.927
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	35.789	26.927
Other	11.054	98.982
Total	1.714.435	1.409.105

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

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4.7. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	1.235.509	1.143.452
Reserve for employee termination benefits	6.190	4.143
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	112.993	116.524
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	65.117	60.554
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	259
Depreciation expenses of assets held for resale	-	2.582
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	968.988	871.258
Operational lease expenses	152.762	148.569
Repair and maintenance expenses	56.835	49.652
Advertising expenses	85.268	64.254
Other expense	674.123	608.783
Loss on sales of assets	-	-
Other	402.695	388.706
Total	2.791.492	2.587.478

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

As of June 30, 2017, the Group has current tax expense amounting to TL 789.053 (June 30, 2016 - TL 489.758) and deferred tax income amounting to TL 296.299 (June 30, 2016 - TL 63.477).

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

4.9.1. 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.

4.9.2. Information on any change in the accounting estimates concerning the current period or future periods: None

4.10. Income/loss of minority interest:

	Current Period	Prior Period
Income/(loss) of minority interest	34	36

4.11. Other items in income statement:

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

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

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

5.1.1. 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	21.974	8.492	519.444	1.158.561	2.394.592	2.586.737
Balance at the end of the period	45.820	13.378	385.664	1.340.895	2.627.098	2.447.099
Interest and commission income received	767	53	3.587	4.200	151.739	6.121

(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 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	21.974	8.492	519.444	1.158.561	2.394.592	2.586.737
Interest and commission income received ⁽³⁾	552	67	1.868	3.786	116.710	5.531

(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 columns represents profit / loss for the 6 monts period ended June 30, 2016.

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

Group's risk group	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
Group's risk group ^{(1) (2)}						
Deposit						
Beginning of the period	232.820	82.069	24.423.963	19.927.462	14.406.822	5.148.413
End of the period	193.576	232.820	26.689.945	24.423.963	13.468.419	14.406.822
Interest expense on deposits ⁽³⁾	2.558	1.618	667.925	546.894	386.345	258.925

(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 columns represents profit / loss for the 6 monts period ended June 30, 2016.

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5.1.3. 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⁾	-	-	8.532.884	1.455.484	1.104.683	146.778
End of the period ⁽³⁾	-	-	6.677.081	8.532.884	1.967.869	1.104.683
Total profit / loss⁽⁴⁾	(153)	(8.059)	96.724	(42.343)	14.031	19.225
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- Financial Instruments: Recognition and Measurement".

(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) Prior period columns represents profit / loss for the 6 months period ended June 30, 2016.

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

Salaries and benefits paid to the Group's top management amount to TL 39.327 as of June 30, 2017 (June 30, 2016 - TL 37.552).

6. Explanations and notes related to subsequent events

None.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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Section six - Explanations on independent audit report

1. Explanations on independent auditor's report

The consolidated financial statements for the period ended June 30, 2017 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated August 1, 2017 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

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Section seven⁽¹⁾ – Information on Interim Activity Report

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

In the second quarter of 2017, the operating environment was relatively stable. However, the Central Bank of Turkey maintained the tight monetary conditions, with the intention to keep the inflation under control through increasing the effective policy rate. Gross Domestic Product growth reached to 5% levels as of first quarter of 2017, thanks to the stimulus by the government. During this period, the banking sector remained resilient but was exposed to increase on deposit costs given the stabilization in the macroeconomic environment through active support of the government and the regulatory authorities.

Total loans in the banking sector reached TL 1,852 billion indicating 10.7% year-to-date growth supported by the government’s Credit Guarantee Fund facility. During the same period, total deposits reached TL 1,582 billion, indicating 8.6% year-to-date growth. Accordingly, the sector’s loan to deposit ratio including TL bonds increased to 117% in first half of 2017 from 115% in year-end 2016. The banking sector’s non-performing loan ratio decreased by 15 basis points year-to-date to 3.02% given the non-performing loan sales of TL 3,292 million, so far in the year.

In the first half of 2017, Yapı Kredi’s profitability continued to improve year-over-year while the Bank preserved its solid fundamentals. The Bank’s healthy liquidity profile was further reinforced by 2 Eurobond issuances of a 7 year US\$ 500 million Eurobond and a 3 year TL 500 million Eurobond in the international debt capital markets. On the other hand, Yapı Kredi secured US\$ 1,350 million worth of syndication with participation of 48 banks from 19 countries in the quarter. These facilities reaffirm the confidence of international markets in both Yapı Kredi and Turkey.

Yapı Kredi continued to be crowned with important awards in the second quarter of the year. The Bank returned from the Visa Turkey Conference with 2 achievements awards (“Leading Bank in Visa Retail” and “Leading bank in Commercial Credit Card Transaction Volume”). A first in Turkey, Yapı Kredi Self Service World Project won the “Innovation of the Year” award from MasterCard. The Bank won “Turkey’s Most Ethical Company” award for the 5th time in a row at ETİKA Turkey Ethic Awards held by the Center for Ethical Values. On the other hand, Yapı Kredi Academy won the bronze award in the category of “Best Corporate University – Holistic Human and Digital” award at the Global Council of Corporate Universities Awards 2017.

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, all figures in the report are based on Banking Regulation and Supervision Agency unconsolidated financials

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

In the second quarter, the overall sentiment in the economy was relatively stable; where currency was less volatile, unemployment improved slightly and inflation started to moderate. The Central Bank of Turkey, however, continued to keep the tight monetary policy with the intention to maintain the improvement in the inflation by further increasing the effective policy rate by around 60 basis points. Moreover, the actions by the government and the regulators; including the expansion of the Credit Guarantee Funding; continued to contribute positively to relatively favourable environment in second quarter of 2017.

During this period, Yapı Kredi continued implementing its strategy at full force and recorded a successful performance. The Bank's total assets increased to TL 286.5 billion and net income was recorded at TL 1,893 million in the first half of the year. (41% year-over-year growth excluding the Visa sale gain in the second quarter of 2016)

In terms of lending, the Bank's cash and non-cash loans reached TL 260.7 billion. In terms of performing cash loans, Yapı Kredi recorded 5% growth year-to-date to TL 185.8 billion indicating 15.9% market share among private banks. Yapı Kredi's growth was driven by a balanced approach and the Bank actively continued to utilise the government's Credit Guarantee Fund facility to support companies and exporters. At the same time, Yapı Kredi maintained its leadership position in credit cards with 21.7% outstanding volume market share.

In terms of funding, the Bank recorded 5% deposit growth year-to-date up to TL 164.2 billion indicating 15.5% market share among private banks. As a result of balanced loan and deposit growth in the first half of 2017, loans to deposits ratio including TL bonds of 110%, remaining at 2016 levels.

Digitalisation remained a strong focus area for the Bank in the second quarter of 2017. While the digitalization strategy full force continues, Yapı Kredi, as "The Digital Bank of Turkey", reached the highest number of mobile payment transactions with Yapı Kredi Wallet, which brought the "Visa Mobile Payment Achievement Award". Additionally, Yapı Kredi Web site, Yapı Kredi Mobile Site, Yapı Kredi Mobile brought awards in 5 categories at the Communicator Awards.

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

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3. Overview of Financial Performance:

On 1 August 2017, Yapı Kredi announced its consolidated results for the first half of 2017 based on Turkish accounting standards and Banking Regulation and Supervision Agency's guidelines. The Bank's cash and non-cash loans reached TL 260.7 billion, while total deposits materialised at TL 164.2 billion. The Bank's net income (adjusted for the Visa sale gains in the second quarter of 2016) increased by 41% year-over-year and reached TL 1,893 million indication return on average tangible equity of 14.7%. Quarterly net income was recorded at TL 892 million.

Improving capital ratios with ongoing internal capital generation

The capitalization of the Bank continued to improve during the first half of 2017 through internal capital generation on the back of profitability acceleration. Consolidated Capital Adequacy Ratio increased by 50 basis points year-to-date to 13.7% and Common Equity Tier-1 ratio increased by 50 basis points to 10.2%.

Selective and balanced volume growth

Yapı Kredi achieved 5% year-to-date growth in performing loans to TL 185.8 billion. Loan growth was mainly driven by company lending with effective utilisation of the Credit Guarantee Fund facility. The Bank's deposit growth was at 5% year-to-date and reached TL 164.2 billion. Accordingly, loan-to-deposits plus TL bonds ratio reached to 110%. Yapı Kredi's market share among private banks in loans and deposits was recorded at 15.9% and 15.5%, respectively.

In line with the Bank's focus on effective diversification of funding sources, the Bank successfully issued a 7 year US\$ 500 million Eurobond transaction with a yield of 5.85% and a 3 year TL 500 million Eurobond transaction with a yield of 13.125% in June 2017. On the other hand, Yapı Kredi secured US\$ 1,350 million worth of syndication with participation of 48 banks from 19 countries within the quarter.

Resilient profitability driven by core business

In the first half of 2017, Yapı Kredi increased its total revenues (adjusted for Visa sale gain in 2Q16) by 14% year-over-year driven by double digit net interest income growth. On the other hand, continued discipline in cost management was evident with cost growth contained at 8% compared to inflation of 11%. Accordingly, cost/income ratio was recorded at 41% levels. Even with the strengthening in the coverage ratio, the Bank's total provisions were at comfortable levels with a 1% year-over-year decrease, leading to 26 basis points improvement in cost of risk to 1.10%. Accordingly, net income (adjusted for Visa sale gain) increased by 41% year-over-year (Reported: +22% year-over-year) and the Bank achieved 14.7% return on average tangible equity.

Asset quality dynamics continued to improve

Non-performing loan ratio decreased by 45 basis points year-to-date to 4.32% supported by sales of non-performing loan portfolios with a total amount of TL 1,320 million, TL 826 million of which was in second quarter of the year, as well as improving trend in net non-performing loan formation year-over-year. During this period, specific coverage ratio remained stable at 76%.

(Convenience translation of publicly announced consolidated financial statements originally issued in Turkish, see in note 1. of section three)

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4. Summary of Consolidated Financials

TL million	Current Period	Prior Period
Total Assets	286,490	271,134
Performing Loans	185,837	176,485
Total Deposits	164,227	157,088
Shareholder's Equity	28,493	26,121
Loans/ Assets	65%	65%
Deposits/Assets	57%	58%
NPL	4.3%	4.8%
CAR	13.7%	13.2%

TL million	Current Period	Prior Period
Net Profit	1,893	1,552
Return on Average Tangible Equity	14.7%	14.0%

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

- On 24 April 2017, Yapı Kredi sold a fully provisioned non-performing loan portfolio of retail loans principal amounting to TL 308 million for a total consideration of TL 17.7 million to Güven Varlık Yönetim A.Ş.
- On 4 May 2017, Yapı Kredi successfully signed a US\$ 1 billion 350 million worth of syndicated loan agreement comprised of a 367 day and a 2 year 1 day tranche totalling US\$ 306 million and € 956.5 million. The Dual Currency Term Loan Facility was raised by a syndicate including 48 of Yapı Kredi's key relationship banks from 19 countries.
- On 6 June 2017, Yapı Kredi successfully priced a 3 year TL 500 million Eurobond benchmark transaction. The notes were issued on 9 June 2017. The transaction's coupon rate and all in yield were set at 13.125% and 13.25% per annum, respectively.
- On 14 June 2017, Yapı Kredi successfully priced a 7 year US\$ 500 million Eurobond transaction. Notes were issued on 21 June 2017. The transaction priced at mid-swap +394.3 basis points. The coupon and final yield was set at 5.85% per annum.
- On 22 June 2017, Yapı Kredi's Board of Directors resolved to sell a fully provisioned non-performing loan (NPL) portfolio with TL 518 million principal amount for a total consideration of TL 27.1 million to a selection of asset management companies.

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6. Current Trends and Expectations for the Upcoming Period:

All guidance indicators have been maintained

2017 Macro and Banking Sector Expectations:

- GDP growth: ~3-3.5%
- Inflation (year-end): 8%
- Loan growth: 13%
- Deposit growth: 14%
- Net Interest Margin: Slightly down
- Non-Performing Loan ratio: +50 basis points

2017 Yapı Kredi Expectations:

- Loan growth: Lending mainly driven by TL company and retail loans; moderate growth in foreign currency lending. Overall growth in line with the private banks.
- Funding: Strong focus on small ticket retail deposit generation with increasing share of demand in total.
- Revenues: Flattish net interest margin with effective loan pricing and proactive swap utilization. Fee growth supported by lending and customer acquisition.
- Costs: Increase to be 2-3 percentage points below the CPI-inflation.
- Asset Quality: Flattish Non-performing Loan ratio and stable specific Cost of Risk. Strong focus on collections with system enhancements and dedicated approach.