

Yapı ve Kredi Bankası A.Ş.

**Publicly announced consolidated financial statements and
related disclosures at September 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 September 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 nine-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 September 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, 27 October 2017

**Convenience translation of publicly announced consolidated financial statements and audit report
originally issued in Turkish, See Note 1. of Section three**

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF
YAPI VE KREDI BANKASI A.Ş. AS OF SEPTEMBER 30, 2017**

Address : Yapı Kredi Plaza D-Blok
Levent, 34330, İstanbul
Telephone number : 0212 339 70 00
Fax number : 0212 339 60 00
Web Site : www.yapikredi.com.tr
E-Mail : financialreports@yapikredi.com.tr

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. 2. Yapı Kredi Faktoring 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.	1. Banque de Commerce et de Placements S.A. 2. Allianz Yaşam ve Emeklilik A.Ş.	1. Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.

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 nine 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 independently 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. ÖZTOPRAK
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
Telephone Number : 0212 339 98 87
Fax Number : 0212 339 61 05

Section one – General information		
1.	History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status, if any	1
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	1
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	1
4.	Information on the individual and corporate shareholders having control shares of the Parent Bank	3
5.	Summary information on the Parent Bank’s activities and service types	3
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	4
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	4
Section two - Consolidated financial statements		
1.	Consolidated balance sheet (Statement of Financial Position)	5
2.	Consolidated off-balance sheet commitments	7
3.	Consolidated income statements	8
4.	Consolidated statement of income and expense items accounted under shareholders’ equity	10
5.	Consolidated statement of changes in shareholders’ equity	11
6.	Consolidated statement of cash flows	13
Section three – Accounting policies		
1.	Explanations on basis of presentation	14
2.	Explanations on strategy of using financial instruments and foreign currency transactions	15
3.	Information on consolidation principles	17
4.	Explanations on forward and option contracts and derivative instruments	15
5.	Explanations on interest income and expense	19
6.	Explanations on fee and commission income and expense	19
7.	Explanations on financial assets	19
8.	Explanations on impairment of financial assets	21
9.	Explanations on offsetting financial assets	21
10.	Explanations on sales and repurchase agreements and securities lending transactions	21
11.	Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets	21
12.	Explanations on goodwill and other intangible assets	22
13.	Explanations on property and equipment	22
14.	Explanations on leasing transactions	23
15.	Explanations on provisions, contingent asset and liabilities	24
16.	Explanations on obligations related to employee rights	24
17.	Explanations on taxation	26
18.	Explanations on borrowings	28
19.	Explanations on issuance of share certificates	28
20.	Explanations on avalized drafts and acceptances	28
21.	Explanations on government grants	28
22.	Profit reserves and profit distribution	28
23.	Earnings per share	28
24.	Related parties	29
25.	Explanations on operating segments	29
26.	Explanations on other matters	29
27.	Explanations on legal mergers under common control	29
Section four- Financial Position and Risk Management		
1.	Explanations on consolidated own funds	30
2.	Explanations on Risk Management	34
3.	Explanations on consolidated currency risk	35
4.	Explanations on consolidated interest rate risk	37
5.	Explanation on share certificates position risk from banking book	39
6.	Explanations on consolidated liquidity risk management and liquidity coverage ratio	39
7.	Explanations on consolidated leverage ratio	43
8.	Explanations on hedge accounting	44
9.	Explanations on the activities carried out on behalf of others and fiduciary transactions	46
10.	Explanations on consolidated operating segments	46
Section five - Explanations and notes related to consolidated financial statements		
1.	Explanations and notes related to consolidated assets	48
2.	Explanations and notes related to consolidated liabilities	63
3.	Explanations and notes related to consolidated off-balance sheet accounts	71
4.	Explanations and notes related to consolidated income statement	72
5.	Explanations and notes related to Group’s risk group	76
6.	Explanations and notes related to subsequent events	77
Section six - Independent audit report		
1.	Explanations on independent auditor’s report	77
2.	Explanations and notes prepared by independent auditor	77
Section seven – Information on Interim Activity Report		
1.	Interim period activity report included chairman of the board of directors and Ceo’s assessments for the interim activities	78

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements as of September 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 September 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 September 30, 2017 the Parent Bank's Board of Directors, Members of the Audit Committee, General Manager and Assistant General Managers are as follows:

(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 September 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 ⁽¹⁾	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 ⁽¹⁾	Retail Banking Management

(1) Zeynep Nazan Somer Özelgin, Assistant General Manager responsible for Retail Banking Management, is leaving Yapı Kredi as of January 1, 2018. According to the Bank's Board of Directors' meeting on September 22, 2017, it is unanimously resolved to change the current organizational structure for retail banking into two functions as "Retail Banking Management" and "Retail Banking Sales Management" and; it is also unanimously resolved to apply BRSA to appoint Serkan Ülgen as Assistant General Manager responsible for "Retail Banking Management" and to assign Mert Yazıcıoğlu as Assistant General Manager responsible for "Retail Banking Sales Management", to be effective as of January 1, 2018. Private Banking and Wealth Management will be followed under the related functions in the Bank's new organization.

(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 September 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 September 30, 2017, the Parent Bank has 887 branches operating in Turkey and 1 branch in overseas (December 31, 2016 - 935 branches operating in Turkey, 1 branch in overseas).

As of September 30, 2017, the Parent Bank has 18.195 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 September 30, 2017 the Group has 19.152 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 September 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 September 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 (30/09/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	1.1	4,396,258	28,759,947	33,156,205	9,051,439	24,031,856	33,083,295
II. Financial assets at fair value through profit or (loss) (net)	1.2	2,650,859	540,428	3,191,287	2,629,996	410,834	3,040,830
2.1 Trading financial assets		2,650,859	540,428	3,191,287	2,629,996	410,834	3,040,830
2.1.1 Government debt securities		28,688	15,162	43,850	18,888	17,825	36,713
2.1.2 Share certificates		76,784	-	76,784	6,635	-	6,635
2.1.3 Derivative financial assets held for trading		2,538,486	525,266	3,063,752	2,604,473	393,009	2,997,482
2.1.4 Other marketable securities		6,901	-	6,901	-	-	-
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	676,802	4,532,848	5,209,650	43,137	3,405,829	3,448,966
IV. Money markets		106	754,632	754,738	252	-	252
4.1 Interbank money market placements		-	754,632	754,632	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		106	-	106	252	-	252
V. Financial assets available-for-sale (net)	1.5,6	20,169,752	3,002,703	23,172,455	15,239,585	3,146,524	18,386,109
5.1 Share certificates		45,541	84,491	130,032	44,258	62,485	106,743
5.2 Government debt securities		19,365,215	1,506,690	20,871,905	14,431,742	1,620,631	16,052,373
5.3 Other marketable securities		758,996	1,411,522	2,170,518	763,585	1,463,408	2,226,993
VI. Loans and receivables	1.7	122,249,648	70,216,139	192,465,787	107,994,217	70,670,205	178,664,422
6.1 Loans and receivables		120,402,642	70,157,190	190,559,832	105,876,257	70,609,580	176,485,837
6.1.1 Loans to bank's risk group		1,611,182	964,449	2,575,631	1,608,647	993,427	2,602,074
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		118,791,460	69,192,741	187,984,201	104,267,610	69,616,153	173,883,763
6.2 Loans under follow-up		8,390,134	150,881	8,541,015	8,706,143	143,024	8,849,167
6.3 Specific provisions (-)		(6,543,128)	(91,932)	(6,635,060)	(6,588,183)	(82,399)	(6,670,582)
VII. Factoring receivables		1,285,079	1,739,560	3,024,639	1,240,811	1,653,468	2,894,279
VIII. Held-to-maturity investments (net)	1.8	5,240,748	6,950,152	12,190,900	4,831,667	6,757,223	11,588,890
8.1 Government debt securities		5,240,748	6,083,948	11,324,696	4,831,667	5,957,387	10,789,054
8.2 Other marketable securities		-	866,204	866,204	-	799,836	799,836
IX. Investments in associates (net)	1.9	233,523	495,822	729,345	231,974	437,143	669,117
9.1 Consolidated based on equity method		229,020	495,822	724,842	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	18,318	-	18,318	18,114	-	18,114
11.1 Accounted based on equity method		18,318	-	18,318	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	2,098,804	7,413,960	9,512,764	1,720,318	6,584,168	8,304,486
12.1 Financial lease receivables		2,763,177	8,608,917	11,372,094	2,229,318	7,604,773	9,834,091
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		(664,373)	(1,194,957)	(1,859,330)	(509,000)	(1,020,605)	(1,529,605)
XIII. Derivative financial assets held for hedging	1.13	987,859	103,832	1,091,691	1,096,608	113,104	1,209,712
13.1 Fair value hedge		54,556	-	54,556	246,295	-	246,295
13.2 Cash flow hedge		933,303	103,832	1,037,135	850,313	113,104	963,417
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)		2,605,531	32,073	2,637,604	2,678,356	34,691	2,713,047
XV. Intangible assets (net)		1,608,062	15,776	1,623,838	1,549,798	17,066	1,566,864
15.1 Goodwill		979,493	-	979,493	979,493	-	979,493
15.2 Other		628,569	15,776	644,345	570,305	17,066	587,371
XVI. Investment property (net)	1.14	-	-	-	-	-	-
XVII. Tax asset		81,529	973	82,502	178,240	1,151	179,391
17.1 Current tax asset		-	973	973	97,812	1,151	98,963
17.2 Deferred tax asset		81,529	-	81,529	80,428	-	80,428
XVIII. Assets held for resale and related to discontinued operations (net)	1.15	179,573	4,536	184,109	161,854	4,329	166,183
18.1 Held for sale purposes		179,573	4,536	184,109	161,854	4,329	166,183
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	1.16	2,196,361	2,607,590	4,803,951	2,104,336	3,088,997	5,193,333
Total assets		166,686,112	127,170,971	293,857,083	150,778,002	120,356,588	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 September 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 (30/09/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
I. Deposits	2.1	71.069.305	93.933.995	165.003.300	84.238.259	72.849.936	157.088.195
1.1 Deposits of the Bank's risk group		7.227.393	13.256.081	20.483.474	7.602.155	12.201.241	19.803.396
1.2 Other		63.841.912	80.677.914	144.519.826	76.636.104	60.648.695	137.284.799
II. Derivative financial liabilities held for trading	2.2	2.128.061	309.174	2.437.235	2.188.935	389.744	2.578.679
III. Funds borrowed	2.3	1.962.412	32.145.891	34.108.303	1.367.430	29.141.344	30.508.774
IV. Money markets		13.149.220	965.969	14.115.189	7.225.341	1.979.688	9.205.029
4.1 Funds from interbank money market		5.296.445	-	5.296.445	-	-	-
4.2 Funds from Istanbul stock exchange money market		3.024.922	-	3.024.922	2.931.228	-	2.931.228
4.3 Funds provided under repurchase agreements		4.827.853	965.969	5.793.822	4.294.113	1.979.688	6.273.801
V. Marketable securities issued (net)	2.3	4.576.342	16.018.915	20.595.257	3.990.883	14.089.584	18.080.467
5.1 Bills		1.289.251	86.821	1.376.072	1.399.791	86.665	1.486.456
5.2 Asset backed securities		-	6.388.891	6.388.891	-	6.564.507	6.564.507
5.3 Bonds		3.287.091	9.543.203	12.830.294	2.591.092	7.438.412	10.029.504
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		10.240.696	1.748.604	11.989.300	9.152.217	2.010.570	11.162.787
VIII. Other liabilities	2.4	1.240.030	471.731	1.711.761	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	184.835	25.696	210.531	66.263	23.033	89.296
11.1 Fair value hedge		125.423	109	125.532	49.949	508	50.457
11.2 Cash flow hedge		59.412	25.587	84.999	16.314	22.525	38.839
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	2.7	3.789.470	1.295.284	5.084.754	3.359.679	1.334.393	4.694.072
12.1 General loan loss provision		2.069.748	1.194.213	3.263.961	1.884.546	1.225.025	3.109.571
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		537.297	2.376	539.673	298.496	2.825	301.321
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		1.182.425	98.695	1.281.120	1.176.637	106.543	1.283.180
XIII. Tax liability	2.8	443.658	19.846	463.504	566.362	15.479	581.841
13.1 Current tax liability		379.105	8.215	387.320	308.752	4.838	313.590
13.2 Deferred tax liability		64.553	11.631	76.184	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	-	9.162.631	9.162.631	-	9.067.893	9.067.893
XVI. Shareholders' equity	2.10	28.824.920	150.398	28.975.318	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		2.535.489	150.398	2.685.887	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		(302.550)	61.326	(241.224)	(377.643)	(86.111)	(463.754)
16.2.4 Property and equipment revaluation differences		1.461.448	5.495	1.466.943	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)		(329.933)	83.577	(246.356)	(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		1.156.976	-	1.156.976	1.201.204	-	1.201.204
16.3 Profit reserves		17.567.343	-	17.567.343	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		1.022.910	-	1.022.910	781.536	-	781.536
16.4 Income or (loss)		4.374.520	-	4.374.520	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)		2.734.566	-	2.734.566	2.932.795	-	2.932.795
16.5 Minority interest		517	-	517	502	-	502
Total liabilities and shareholders' equity		137.608.949	156.248.134	293.857.083	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 September 30, 2017 and December 31, 2016

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

2. Consolidated off-balance sheet commitments

	Note (Section Five)	Current Period (30/09/2017)			Prior Period (31/12/2016)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I+II+III)		263.218.376	369.070.097	632.288.473	161.396.771	244.133.727	405.530.498
I. Guarantees and warranties	3.1.2.3	24.876.062	51.739.535	76.615.597	21.614.582	46.839.902	68.454.484
1.1 Letters of guarantee		24.796.840	33.434.700	58.231.540	21.568.691	31.223.540	52.792.231
1.1.1 Guarantees subject to state tender law		753.508	991.725	1.745.233	471.441	930.593	1.402.034
1.1.2 Guarantees given for foreign trade operations		2.893.689	32.284.858	35.178.547	2.597.219	30.138.999	32.736.218
1.1.3 Other letters of guarantee		21.149.643	158.117	21.307.760	18.500.031	153.948	18.653.979
1.2 Bank acceptances		-	238.095	238.095	-	195.766	195.766
1.2.1 Import letter of acceptance		-	238.095	238.095	-	195.766	195.766
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		21.407	11.620.509	11.641.916	11.407	9.181.763	9.193.170
1.3.1 Documentary letters of credit		21.407	11.619.945	11.641.352	11.407	9.181.763	9.193.170
1.3.2 Other letters of credit		-	564	564	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		57.815	2.246.018	2.303.833	34.484	1.960.487	1.994.971
1.9 Other warranties		-	4.200.213	4.200.213	-	4.278.346	4.278.346
II. Commitments	3.1.1	90.030.487	84.323.742	174.354.229	53.181.915	25.742.342	78.924.257
2.1 Irrevocable commitments		88.852.293	67.845.959	156.698.252	52.743.486	13.663.919	66.402.405
2.1.1 Asset purchase and sale commitments		35.224.556	66.301.362	101.525.918	3.706.202	12.562.607	16.268.809
2.1.2 Deposit purchase and sales commitments		3.623	754.632	758.255	27.500	6.581	6.581
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		8.813.340	626.761	9.440.101	8.008.276	869.605	8.877.881
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		6.853.366	-	6.853.366	6.686.199	-	6.686.199
2.1.8 Tax and fund liabilities from export commitments		6.412	-	6.412	6.014	-	6.014
2.1.9 Commitments for credit card limits		32.535.832	-	32.535.832	29.878.711	-	29.878.711
2.1.10 Commitments for credit cards and banking services promotions		20.984	-	20.984	18.409	-	18.409
2.1.11 Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		5.394.180	163.204	5.557.384	4.412.175	225.126	4.637.301
2.2 Revocable commitments		1.178.194	16.477.783	17.655.977	438.429	12.078.423	12.516.852
2.2.1 Revocable loan granting commitments		1.178.194	16.415.232	17.593.426	438.429	12.018.342	12.456.771
2.2.2 Other revocable commitments		-	62.551	62.551	-	60.081	60.081
III. Derivative financial instruments		148.311.827	233.006.820	381.318.647	86.600.274	171.551.483	258.151.757
3.1 Derivative financial instruments for hedging purposes		41.638.289	28.192.444	69.830.733	29.395.251	23.277.181	52.672.432
3.1.1 Transactions for fair value hedge		498.639	1.904.190	2.402.829	668.301	1.990.110	2.658.411
3.1.2 Transactions for cash flow hedge		41.139.650	26.288.254	67.427.904	28.726.950	21.287.071	50.014.021
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		106.673.538	204.814.376	311.487.914	57.205.023	148.274.302	205.479.325
3.2.1 Forward foreign currency buy/sell transactions		6.621.937	10.912.078	17.534.015	5.932.158	9.341.391	15.273.549
3.2.1.1 Forward foreign currency transactions-buy		3.431.204	5.340.725	8.771.929	2.094.166	5.487.983	7.582.149
3.2.1.2 Forward foreign currency transactions-sell		3.190.733	5.571.353	8.762.086	3.837.992	3.853.408	7.691.400
3.2.2 Swap transactions related to foreign currency and interest rates		84.643.621	162.046.090	246.689.711	39.936.351	112.739.983	152.676.334
3.2.2.1 Foreign currency swap-buy		10.419.619	87.508.899	97.928.518	14.973.712	37.775.189	52.748.901
3.2.2.2 Foreign currency swap-sell		70.224.002	28.068.509	98.292.511	20.422.639	31.924.736	52.347.375
3.2.2.3 Interest rate swap-buy		2.000.000	23.234.341	25.234.341	2.270.000	21.520.029	23.790.029
3.2.2.4 Interest rate swap-sell		2.000.000	23.234.341	25.234.341	2.270.000	21.520.029	23.790.029
3.2.3 Foreign currency, interest rate and securities options		9.503.867	18.387.670	27.891.537	6.062.482	13.199.550	19.262.032
3.2.3.1 Foreign currency options-buy		4.049.144	8.662.494	12.711.638	2.134.509	6.547.706	8.682.215
3.2.3.2 Foreign currency options-sell		4.654.723	8.211.204	12.865.927	3.427.973	5.479.950	8.907.923
3.2.3.3 Interest rate options-buy		400.000	756.986	1.156.986	250.000	585.947	835.947
3.2.3.4 Interest rate options-sell		400.000	756.986	1.156.986	250.000	585.947	835.947
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		5.904.113	13.468.538	19.372.651	5.274.032	12.993.378	18.267.410
B. Custody and pledges received (IV+V+VI)		609.502.120	263.854.143	873.356.263	515.979.417	262.734.842	778.714.259
IV. Items held in custody		343.017.434	181.188.632	524.206.066	271.381.629	182.248.974	453.630.603
4.1 Customer fund and portfolio balances		-	-	-	-	-	-
4.2 Investment securities held in custody		323.220.398	180.575.573	503.795.971	250.948.565	181.437.884	432.386.449
4.3 Checks received for collection		15.170.186	79.727	15.249.913	15.840.681	148.728	15.989.409
4.4 Commercial notes received for collection		4.568.706	477.619	5.046.325	4.547.836	615.063	5.162.899
4.5 Other assets received for collection		-	44.515	44.515	-	40.085	40.085
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		58.144	11.198	69.342	44.547	7.214	51.761
4.8 Custodians		-	-	-	-	-	-
V. Pledges received		252.821.733	79.806.527	332.628.260	240.607.924	78.233.779	318.841.703
5.1 Marketable securities		208.095	394	208.489	179.680	390	180.070
5.2 Guarantee notes		928.179	236.962	1.165.141	1.000.765	285.982	1.286.747
5.3 Commodity		23.073	35.571	58.644	25.813	56.719	82.532
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		114.457.658	67.401.823	181.859.481	104.128.522	67.662.780	171.791.302
5.6 Other pledged items		137.204.728	12.125.385	149.330.113	135.273.144	10.221.643	145.494.787
5.7 Pledged items-depository		-	6.392	6.392	-	6.265	6.265
VI. Accepted independent guarantees and warranties		13.662.953	2.858.984	16.521.937	3.989.864	2.252.089	6.241.953
Total off-balance sheet commitments (A+B)		872.720.496	632.924.240	1.505.644.736	677.376.188	506.868.569	1.184.244.757

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 September 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- 30/09/2017)	Prior Period (01/01/2016- 30/09/2016)
I. Interest income	4.1	16.544.827	14.139.384
1.1 Interest on loans	4.1.1	13.148.825	11.563.972
1.2 Interest received from reserve deposits		164.242	85.939
1.3 Interest received from banks	4.1.2	262.059	126.095
1.4 Interest received from money market transactions		19.988	10.142
1.5 Interest received from marketable securities portfolio	4.1.3	2.281.440	1.839.049
1.5.1 Trading financial assets		2.876	4.595
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		1.611.693	1.301.076
1.5.4 Held to maturity investments		666.871	533.378
1.6 Financial lease income		471.127	374.423
1.7 Other interest income		197.146	139.764
II. Interest expense	4.2	(9.619.954)	(8.059.993)
2.1 Interest on deposits	4.2.4	(7.175.197)	(5.827.598)
2.2 Interest on funds borrowed	4.2.1	(1.042.116)	(745.628)
2.3 Interest expense on money market transactions		(521.747)	(771.972)
2.4 Interest on securities issued	4.2.3	(854.939)	(704.790)
2.5 Other interest expenses		(25.955)	(10.005)
III. Net interest income (I + II)		6.924.873	6.079.391
IV. Net fees and commissions income		2.474.138	2.235.712
4.1 Fees and commissions received		3.144.714	2.789.924
4.1.1 Non-cash loans		429.546	357.752
4.1.2 Other	4.5	2.715.168	2.432.172
4.2 Fees and commissions paid		(670.576)	(554.212)
4.2.1 Non-cash loans		(15.307)	(8.103)
4.2.2 Other		(655.269)	(546.109)
V. Dividend income		10.306	6.059
VI. Trading gain/(loss) (net)	4.3	(201.420)	150.711
6.1 Trading gains/(losses) on securities		49.664	28.922
6.2 Derivative financial transactions gains/(losses)	4.4	(1.837.448)	(777.906)
6.3 Foreign exchange gains/(losses)		1.586.364	899.695
VII. Other operating income	4.5	878.766	485.363
VIII. Total operating income / loss (III+IV+V+VI+VII)		10.086.663	8.957.236
IX. Provision for impairment of loans and other receivables (-)	4.6	(2.554.280)	(2.066.947)
X. Other operating expenses (-)	4.7	(4.154.483)	(3.939.837)
XI. Net operating income/(loss) (VIII-IX-X)		3.377.900	2.950.452
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		65.754	56.461
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)		3.443.654	3.006.913
XVI. Tax provision for continuing operations (±)	4.8	(709.035)	(644.048)
16.1 Current tax provision		(871.303)	(711.128)
16.2 Deferred tax provision		162.268	67.080
XVII. Net profit/loss from continuing operations (XV±XVI)		2.734.619	2.362.865
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	2.734.619	2.362.865
23.1 Group's profit/loss		2.734.566	2.362.819
23.2 Minority interest profit/losses (-)	4.10	53	46
Earnings/(loss) per share (in TL full)		0,0063	0,0054

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 September 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 (01/07/2017- 30/09/2017)	Prior Period (01/07/2016- 30/09/2016)
I.	Interest income	4.1	5.812.864	4.858.231
1.1	Interest on loans	4.1.1	4.574.295	3.954.778
1.2	Interest received from reserve deposits		65.455	27.045
1.3	Interest received from banks	4.1.2	87.378	56.688
1.4	Interest received from money market transactions		3.076	5.869
1.5	Interest received from marketable securities portfolio	4.1.3	839.161	639.755
1.5.1	Trading financial assets		762	1.111
1.5.2	Financial assets at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		609.376	361.806
1.5.4	Held to maturity investments		229.023	276.838
1.6	Financial lease income		169.915	126.585
1.7	Other interest income		73.584	47.511
II.	Interest expense	4.2	(3.459.970)	(2.641.585)
2.1	Interest on deposits	4.2.4	(2.525.461)	(1.911.744)
2.2	Interest on funds borrowed	4.2.1	(380.108)	(260.896)
2.3	Interest expense on money market transactions		(227.417)	(234.293)
2.4	Interest on securities issued	4.2.3	(325.029)	(232.114)
2.5	Other interest expenses		(1.955)	(2.538)
III.	Net interest income (I + II)		2.352.894	2.216.646
IV.	Net fees and commissions income		799.144	705.537
4.1	Fees and commissions received		1.051.564	906.011
4.1.1	Non-cash loans		137.764	119.254
4.1.2	Other	4.5	913.800	786.757
4.2	Fees and commissions paid		(252.420)	(200.474)
4.2.1	Non-cash loans		(5.768)	(3.307)
4.2.2	Other		(246.652)	(197.167)
V.	Dividend income		28	5
VI.	Trading gain/(loss) (net)	4.3	(160.133)	50.522
6.1	Trading gains/(losses) on securities		13.116	(13.257)
6.2	Derivative financial transactions gains/(losses)	4.4	(207.897)	112.390
6.3	Foreign exchange gains/(losses)		34.648	(48.611)
VII.	Other operating income	4.5	249.911	42.750
VIII.	Total operating income / loss (III+IV+V+VI+VII)		3.241.844	3.015.460
IX.	Provision for impairment of loans and other receivables (-)	4.6	(839.845)	(657.842)
X.	Other operating expenses (-)	4.7	(1.362.991)	(1.352.359)
XI.	Net operating income/(loss) (VIII-IX-X)		1.039.008	1.005.259
XII.	Excess amount recorded as income after merger		-	-
XIII.	Income/(loss) from investments accounted based on equity method		18.660	23.199
XIV.	Income/(loss) on net monetary position		-	-
XV.	Profit/(loss) before taxes from continuing operations (XI+XII+XIII+XIV)		1.057.668	1.028.458
XVI.	Tax provision for continuing operations (±)	4.8	(216.281)	(217.767)
16.1	Current tax provision		(82.250)	(221.370)
16.2	Deferred tax provision		(134.031)	3.603
XVII.	Net profit/loss from continuing operations (XV±XVI)		841.387	810.691
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	841.387	810.691
23.1	Group's profit/loss		841.368	810.681
23.2	Minority interest profit/losses (-)	4.10	19	10
	Earnings/(loss) per share (in TL full)		0,0019	0,0019

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 September 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 (30/09/2017)	Prior Period (30/09/2016)
I.	Transfers to marketable securities valuation differences from financial assets available for sale	277.467	265.173
II.	Property and equipment revaluation differences	(3.277)	-
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	239.443	122.523
V.	Profit/loss on cash flow hedges (effective part of the fair value changes)	(1.476)	(849.064)
VI.	Profit/loss on foreign net investment hedges(effective part of the fair value changes)	(190.723)	(67.627)
VII.	Effects of changes in accounting policy and adjustment of errors	-	-
VIII.	Other income and expense items accounted under shareholders' equity according to TAS	(232.749)	(99)
IX.	Deferred tax on valuation differences	30.899	103.574
X.	Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	119.584	(425.520)
XI.	Current year profit/loss	2.734.619	2.362.865
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	38.209	253.855
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	163.093	(2.398)
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4	Other	2.533.317	2.111.408
XII.	Total income/loss accounted for the period (X+XI)	2.854.203	1.937.345

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 September 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 ⁽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
September 30, 2016	September 30, 2015																			
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		-	-	-	-	-	-	-	-	-	-	188.318	-	-	-	-	188.318	-	188.318
VI.	Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(733.353)	-	(733.353)	-	(733.353)
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(679.251)	-	(679.251)	-	(679.251)
6.2	Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(54.102)	-	(54.102)	-	(54.102)
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		-	-	-	-	-	-	-	107.551	-	-	11.698	741	-	(455)	-	119.535	-	119.535
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		-	-	-	-	-	-	-	2.816	-	(2.894)	-	-	-	-	-	(78)	-	(78)
XIX.	Current year income or loss		-	-	-	-	-	-	-	-	2.362.819	-	-	-	-	-	-	2.362.819	46	2.362.865
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	1.761.157	2.362.819	1.640.254	(84.896)	1.468.469	4.561	(777.757)	-	25.023.227	483	25.023.710

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

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

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

Yapı ve Kredi Bankası A.Ş.

Consolidated statement of changes in shareholders' equity as of September 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
September 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		-	-	-	-	-	-	-	-	-	-	222.938	-	-	-	-	222.938	-	222.938
IV. Hedging transactions funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(153.759)	-	(153.759)	-	(153.759)
4.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(1.181)	-	(1.181)	-	(1.181)
V. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	(2.829)	-	-	-	(2.829)	-	(2.829)
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		-	-	-	-	-	-	-	238.180	-	-	(408)	75	-	1.365	-	239.212	-	239.212
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		-	-	-	-	-	-	-	(187.084)	-	-	-	-	-	-	-	(187.084)	-	(187.084)
XVII. Current year income or loss		-	-	-	-	-	-	-	-	2.734.566	-	-	-	-	-	-	2.734.566	53	2.734.619
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	2.179.886	2.734.566	1.639.954	(241.224)	1.466.943	5.667	(246.356)	-	28.974.801	517	28.975.318

(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 September 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 (30/09/2017)	Prior Period (30/09/2016)
A. Cash flows from banking operations			
1.1 Operating profit before changes in operating assets and liabilities		5.670.394	4.028.114
1.1.1 Interest received		14.600.978	13.193.687
1.1.2 Interest paid		(9.634.321)	(7.856.427)
1.1.3 Dividend received		10.306	6.059
1.1.4 Fees and commissions received		3.144.714	2.789.924
1.1.5 Other income		548.797	313.455
1.1.6 Collections from previously written-off loans and other receivables		999.086	782.077
1.1.7 Payments to personnel and service suppliers		(3.556.809)	(3.246.638)
1.1.8 Taxes paid		(1.032.628)	(861.823)
1.1.9 Other		590.271	(1.092.200)
1.2 Changes in operating assets and liabilities		(5.762.156)	(5.709.053)
1.2.1 Net (increase)/decrease in trading securities		(84.178)	11.155
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(1.512.194)	(1.235.708)
1.2.4 Net (increase)/decrease in loans		(19.168.840)	(11.880.360)
1.2.5 Net (increase)/decrease in other assets		469.446	(1.637.934)
1.2.6 Net increase /(decrease) in bank deposits		(1.614.429)	(1.219.617)
1.2.7 Net increase /(decrease) in other deposits		9.572.370	9.586.290
1.2.8 Net increase /(decrease) in funds borrowed		6.098.955	(161.891)
1.2.9 Net increase /(decrease) in payables		-	-
1.2.10 Net increase /(decrease) in other liabilities		476.714	829.012
I. Net cash flows from banking operations		(91.762)	(1.680.939)
B. Cash flows from investing activities			
II. Net cash flows from investing activities		(4.425.679)	5.746.525
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		(273.664)	(267.562)
2.4 Disposals of property and equipment		39.448	55.489
2.5 Purchase of investments available-for-sale		(11.226.174)	(9.997.140)
2.6 Sale of investments available-for -sale		7.497.585	16.443.166
2.7 Purchase of investment securities		(654.884)	(533.294)
2.8 Sale of investment securities		192.010	45.866
2.9 Other		-	-
C. Cash flows from financing activities			
III. Net cash flows from financing activities		4.897.017	(269.068)
3.1 Cash obtained from funds borrowed and securities issued		15.350.882	8.707.650
3.2 Cash used for repayment of funds borrowed and securities issued		(10.453.827)	(8.976.681)
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		696.309	231.023
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		1.075.885	4.027.541
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		17.034.898	14.110.201

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 September 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 September 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.

(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 September 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 (%) September 30, 2017	indirect rates (%) September 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
			September 30, 2017	indirect rates % September 30, 2017
Banque de Commerce et de Placements S.A.	Geneva/Switzerland	Banking	30,67	30,67
Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	Insurance	20,00	20,00

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 September 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 % September 30, 2017	Direct and indirect rates % September 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 September 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 September 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 total return 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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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%
-------------------------	-----

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".

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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	2.734.566	2.362.819
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share (full TL)	0,0063	0,0054

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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.

(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 September 30, 2017

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

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 13,76% (December 31, 2016 – 13,18%) and the Parent Bank is 14,91% (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	17.567.343		14.539.224	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	3.006.279		3.053.077	
Profit	4.374.520		4.572.749	
Net profit of the period	2.734.566		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	517		502	
Common Equity Tier 1 capital before regulatory adjustments	29.845.258		27.061.045	
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	24.925		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	869.940		939.892	
Improvement costs for operating leasing	90.442		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)	488.229	610.286	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	379.334		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	743.160		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	3.379.624		3.059.700	
Common Equity Tier 1 capital (CET1)	26.465.634		24.001.345	

(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 September 30, 2017

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

	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 (-)	317.956	-	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)	26.147.678		23.388.409
TIER 2 CAPITAL			
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	5.523.516	-	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)	2.955.651	-	2.886.021
Tier 2 capital before regulatory adjustments	9.367.967		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	70.293	-	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	70.293		109.452
Total Tier 2 capital	9.297.674		9.315.485
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	35.270.912		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	4.242	-	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⁾	-	-	11.868
National specific regulatory adjustments which shall be determined by the BRSA	170.198	-	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 (-)	-	-	-

(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 September 30, 2017

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

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)	35.270.912	32.484.365
Total Risk Weighted Assets	256.322.910	246.436.668
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,33	9,74
Tier 1 Capital Adequacy Ratio (%)	10,20	9,49
Capital Adequacy Ratio (%)	13,76	13,18
BUFFERS		
Institution specific buffer requirement of the Bank (a+b+c)	2,017	1,012
a)Capital conservation buffer requirement (%)	1,250	0,625
b)Bank's specific countercyclical buffer requirement (%)	0,017	0,012
c)Systemically important Bank buffer	0,750	0,375
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 (%)	4,325	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)	1.280.015	1.218.309
Applicable caps on the inclusion of provisions in Tier 2 capital		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3.263.961	3.109.571
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.955.651	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) According to the "Regulation Regarding to changes on Regulation on Banks' Shareholders' Equity" published in Official Gazette No.30121 on July 11, 2017, related article has been abolished.

(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 September 30, 2017

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

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)	2.078	1.669	889	1.776
Par value of instrument	2.078	1.669	3.552	1.776
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	-

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

- 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)	230.434.790	227.412.008	18.434.783
2 Of which standardised approach (SA)	230.434.790	227.412.008	18.434.783
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	5.978.370	3.469.703	478.270
5 Of which standardised approach for counterparty credit risk (SA-CCR)	5.978.370	3.469.703	478.270
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	38.995	-	3.120
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	1.801.974	1.216.950	144.158
17 Of which standardised approach (SA)	1.801.974	1.216.950	144.158
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)	256.322.911	246.436.668	20.505.834

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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	3,5521	4,1924
First day current bid rate	3,5720	4,2023
Second day current bid rate	3,5657	4,1891
Third day current bid rate	3,5344	4,1747
Fourth day current bid rate	3,5162	4,1818
Fifth day current bid rate	3,4862	4,1763
Arithmetic average of the last 31 days:	3,46193	4,13809
Balance sheet evaluation rate as of		
Prior Period:	3,51920	3,70990

(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 September 30, 2017

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

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	7.197.259	16.706.816	4.855.872	28.759.947
Banks	2.730.878	1.707.057	94.913	4.532.848
Financial assets at fair value through profit or loss	129.357	410.912	159	540.428
Money market placements	754.632	-	-	754.632
Available-for-sale financial assets	674.753	2.218.699	109.251	3.002.703
Loans ⁽¹⁾	33.923.009	40.082.840	1.468.564	75.474.413
Investments in associates, subsidiaries and joint ventures	-	-	495.822	495.822
Held-to-maturity investments	1.050.938	5.899.214	-	6.950.152
Hedging derivative financial assets	41.523	62.308	1	103.832
Tangible assets	2.248	-	29.825	32.073
Intangible assets ⁽⁶⁾	-	-	-	-
Other assets ⁽²⁾	8.003.453	3.267.972	357.884	11.629.309
Total assets	54.508.050	70.355.818	7.412.291	132.276.159
Liabilities				
Bank deposits	1.506.302	3.111.433	58.126	4.675.861
Foreign currency deposits	29.349.527	57.241.418	2.667.189	89.258.134
Funds from money market	481.107	484.857	5	965.969
Funds borrowed from other financial institutions	19.720.225	12.204.801	220.865	32.145.891
Marketable securities issued	440.916	15.454.813	123.186	16.018.915
Miscellaneous payables	1.421.017	312.209	15.378	1.748.604
Hedging derivative financial liabilities	15.752	9.944	-	25.696
Other liabilities ⁽³⁾	275.333	9.763.072	23.672	10.062.077
Total liabilities	53.210.179	98.582.547	3.108.421	154.901.147
Net on balance sheet position	1.297.871	(28.226.729)	4.303.870	(22.624.988)
Net off balance sheet position⁽⁵⁾	(1.136.800)	28.232.480	(3.467.152)	23.628.528
Financial derivative assets	21.919.995	90.540.371	2.823.604	115.283.970
Financial derivative liabilities	23.056.795	62.307.891	6.290.756	91.655.442
Net position	161.071	5.751	836.718	1.003.540
Non-cash loans	22.491.574	25.365.604	3.882.357	51.739.535
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 5.258.274 (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 137.310 (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 15.776 is not considered in the calculation.

(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 September 30, 2017

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

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	19.623.722	-	-	-	-	13.532.483	33.156.205
Banks	2.194.368	1.400.669	238.359	-	-	1.376.254	5.209.650
Financial assets at fair value through profit/loss	973.588	953.839	618.109	374.810	187.256	83.685	3.191.287
Money market placements	754.738	-	-	-	-	-	754.738
Available-for-sale financial assets	3.421.172	3.212.879	8.590.543	5.497.273	2.238.922	211.666	23.172.455
Loans	35.902.507	33.574.310	53.088.517	55.710.779	12.283.719	1.905.955	192.465.787
Held-to-maturity investments	1.447.968	86.590	1.739.715	1.822.782	7.093.845	-	12.190.900
Other assets	2.095.474	1.978.319	3.042.404	6.190.333	909.976	9.499.555	23.716.061
Total assets	66.413.537	41.206.606	67.317.647	69.595.977	22.713.718	26.609.598	293.857.083
Liabilities							
Bank deposits	4.245.343	904.373	867.743	-	-	536.530	6.553.989
Other deposits	85.954.802	32.510.221	8.975.175	1.159.117	156.905	29.693.091	158.449.311
Funds from money market	12.433.176	1.200.902	481.111	-	-	-	14.115.189
Miscellaneous payables	-	-	-	-	-	11.989.300	11.989.300
Marketable securities issued	594.976	8.438.184	1.542.058	8.171.818	1.848.221	-	20.595.257
Funds borrowed from other financial institutions	7.650.871	9.596.426	9.330.886	6.218.259	1.311.861	-	34.108.303
Other liabilities	546.861	641.196	454.764	839.130	9.328.861	36.234.922	48.045.734
Total liabilities	111.426.029	53.291.302	21.651.737	16.388.324	12.645.848	78.453.843	293.857.083
Balance sheet long position	-	-	45.665.910	53.207.653	10.067.870	-	108.941.433
Balance sheet short position	(45.012.492)	(12.084.696)	-	-	-	(51.844.245)	(108.941.433)
Off-balance sheet long position	-	-	-	3.399.969	3.914.814	-	7.314.783
Off-balance sheet short position	(947.416)	(1.965.595)	(4.848.050)	-	-	-	(7.761.061)
Total position	(45.959.908)	(14.050.291)	40.817.860	56.607.622	13.982.684	(51.844.245)	(446.278)
Prior Period							
Assets	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non interest bearing⁽¹⁾	Total
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"

(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 September 30, 2017

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

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	-	1,25	-	9,17
Banks	1,90	3,05	-	14,22
Financial assets at fair value through profit/loss	2,91	5,14	-	11,88
Money market placements	-	-	-	-
Available-for-sale financial assets	4,02	5,32	-	12,41
Loans	4,37	6,25	4,83	13,80
Held-to-maturity investments	1,66	5,35	-	11,49
Liabilities⁽¹⁾				
Bank deposits	0,92	1,53	-	12,18
Other deposits	1,72	3,31	1,54	12,95
Funds from money market	0,12	1,71	-	12,31
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,02	4,64	-	13,33
Funds borrowed from other financial institutions	1,50	2,92	2,64	8,18

(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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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 September 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 56% 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

(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 September 30, 2017

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

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			46.952.298	28.417.970
Cash Outflows				
Retail and Small Business Customers Deposits	84.840.163	36.957.648	7.505.814	3.695.721
Stable deposits	19.564.045	875	978.202	44
Less stable deposits	65.276.118	36.956.773	6.527.612	3.695.677
Unsecured Funding other than Retail and Small Business Customers Deposits	73.296.272	38.062.307	43.291.717	20.664.717
Operational deposits	-	-	-	-
Non-Operational deposits	54.150.972	32.410.168	26.878.663	15.250.180
Other Unsecured funding	19.145.300	5.652.139	16.413.054	5.414.537
Secured funding			40.421	26.893
Other Cash Outflows	25.349.681	10.992.491	25.349.681	10.992.491
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	25.349.681	10.992.491	25.349.681	10.992.491
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	92.404.274	66.411.194	4.620.214	3.320.560
Other irrevocable or conditionally revocable commitments	59.483.917	2.088.595	4.738.137	434.568
Total Cash Outflows			85.545.984	39.134.950
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	24.837.940	8.660.746	16.675.131	7.044.193
Other contractual cash inflows	24.127.199	16.800.349	24.127.199	16.800.349
Total Cash Inflows	48.965.139	25.461.095	40.802.330	23.844.542
			Capped Amounts	
Total High Quality Liquid Assets			46.952.298	28.417.970
Total Net Cash Outflows			44.743.653	15.290.407
Liquidity Coverage Ratio (%)			104,94	185,85

(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	September 29, 2017	July 28, 2017	August 11, 2017	August 18, 2017
Ratio(%)	112,33	102,72	273,79	123,08

(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 September 30, 2017

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

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	November 11, 2016	October 7, 2016	October 28, 2016	November 18, 2016
Ratio(%)	96,77	87,98	145,26	107,51

(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 September 30, 2017

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

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	9.000.689	24.155.516	-	-	-	-	-	33.156.205
Banks	1.376.254	2.194.371	1.400.670	236.934	1.421	-	-	5.209.650
Financial assets at fair value through profit or loss	6.901	706.285	507.822	761.017	747.822	384.656	76.784	3.191.287
Money market placements	-	754.738	-	-	-	-	-	754.738
Available-for-sale financial assets	81.634	335.490	343.533	1.263.423	12.858.983	8.159.360	130.032	23.172.455
Loans	-	32.563.187	20.620.449	47.301.162	68.882.461	21.192.573	1.905.955	192.465.787
Held-to-maturity Investments	-	1.043.968	86.590	482.052	2.480.659	8.097.631	-	12.190.900
Other assets ⁽¹⁾	2.568.254	1.255.449	1.802.325	3.354.851	6.697.946	915.938	7.121.298	23.716.061
Total assets	13.033.732	63.009.004	24.761.389	53.399.439	91.669.292	38.750.158	9.234.069	293.857.083
Liabilities								
Bank deposits	536.530	4.245.343	904.373	867.743	-	-	-	6.553.989
Other deposits	29.693.091	85.954.802	32.510.221	8.975.175	1.159.117	156.905	-	158.449.311
Funds borrowed from other financial institutions	-	7.278.832	2.679.811	13.396.966	10.335.119	417.575	-	34.108.303
Funds from money market	-	12.433.176	1.200.902	481.111	-	-	-	14.115.189
Marketable securities issued	-	594.976	2.049.293	1.863.335	9.714.940	6.372.713	-	20.595.257
Miscellaneous payables	1.045.896	10.357.361	237.462	185.470	-	-	163.111	11.989.300
Other liabilities ⁽²⁾	1.597.133	399.275	1.030.859	676.285	1.486.411	9.550.274	33.305.497	48.045.734
Total liabilities	32.872.650	121.263.765	40.612.921	26.446.085	22.695.587	16.497.467	33.468.608	293.857.083
Net liquidity gap	(19.838.918)	(58.254.761)	(15.851.532)	26.953.354	68.973.705	22.252.691	(24.234.539)	-
Net Off-Balance Sheet Position	-	57.376	41.873	(393.497)	337.926	(387.577)	-	(343.899)
Derivative Financial Assets	-	55.515.889	29.670.575	33.891.111	51.813.120	19.596.680	-	190.487.375
Derivative Financial Liabilities	-	55.458.513	29.628.702	34.284.608	51.475.194	19.984.257	-	190.831.274
Non-Cash Loans	-	2.995.339	7.546.741	28.588.285	10.249.538	4.547.130	22.688.565	76.615.598
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	-	(93.946)	143.170	315.222	307.331	(307.266)	-	364.511
Derivative Financial Assets	-	34.949.543	16.618.726	19.487.152	38.499.350	19.688.420	-	129.243.191
Derivative Financial Liabilities	-	35.043.489	16.475.556	19.171.930	38.192.019	19.995.686	-	128.878.680
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.

(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 September 30, 2017

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

7. Explanations on consolidated leverage ratio:

The main reasons for decrease in leverage ratio for the current period are the increase in total risks of on-balance sheet assets and off-balance sheet exposures.

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)}	285.248.871	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 Communiqué on Preparation of Consolidated Financial Statements of the Banks	1.497.287	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 Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	3.451.246	2.628.564
4	Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(4.835.774)	(7.113.205)
5	Differences between off-balance sheet items in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(15.538.193)	(10.420.733)
6	Other differences in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(1.118.774)	2.026.297
7	Total Risks	470.662.524	397.021.015

(1) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communiqué on Preparation of Consolidated Financial Statements of the Banks.

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

		Current Period ⁽¹⁾	Prior Period ⁽¹⁾
	On-Balance sheet exposures		
1	On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	283.155.450	257.109.769
2	(Asset amounts deducted in determining Tier 1 capital)	(3.437.806)	(3.091.864)
3	Total on-Balance sheet exposures	279.717.644	254.017.905
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	965.659	1.114.120
5	Potential credit risk of derivative financial instruments and credit derivatives	3.451.246	2.628.564
6	Total derivative financial instruments and credit derivatives exposure	4.416.905	3.742.684
	Securities financing transaction exposure		
7	Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	716.577	535.578
8	Agent transaction exposures	-	-
9	Total securities financing transaction exposures	716.577	535.578
	Off-balance sheet items		
10	Off-balance sheet exposure at gross notional amount	201.349.591	149.145.581
11	(Adjustments for conversion to credit equivalent amounts)	(15.538.193)	(10.420.733)
12	Total risk of off-balance sheet items	185.811.398	138.724.848
	Capital and total exposure		
13	Tier 1 capital	25.944.198	23.244.302
14	Total exposures	470.662.524	397.021.015
	Leverage ratio		
15	Leverage ratio (%)	5,55%	5,85%

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

8. Explanations on hedge accounting:

The Group applies the following hedge accounting models as of September 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 September 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)	33.511.840	1.037.135	84.999	24.782.722	963.417	38.839
Cross currency interest rate swap (FVH)	1.143.983	54.556	125.532	1.208.283	246.295	50.457
Total	34.655.823	1.091.691	210.531	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 35.174.910 (December 31, 2016 - TL 26.681.427) the total notional of derivative financial assets amounting to TL 69.830.733 (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 some of its fixed interest loan portfolios and fair value effects of changes in foreign exchange rates on part of its foreign currency funds by using cross-currency interest rate swaps.

Starting from July 28, 2015, the Parent Bank has hedged the possible fair value effects of changes in market interest rates and foreign exchange rates on marketable securities by using cross-currency interest rate swaps.

The Bank selected to apply macro FVH accounting for such relationship in accordance with "TAS 39- Financial Instruments: Recognition and Measurement".

The impact of application of FVH accounting is summarized below;

Current Period					Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the ⁽²⁾	
				Asset	Liability
Cross currency interest rate swaps	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	17.384	-	125.423
					13.050

(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 September 30, 2017

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

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	Some of fixed interest loan portfolios, foreign currency funds and marketable securities	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 some of fixed interest loan portfolios 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 5.158 loss (December 31 2016- TL 2.528 income).

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/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	1.037.135	84.999	379.334	184

(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 September 30, 2017

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

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) recognized in hedging funds ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/ Cross currency interest rate swap	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	963.417	38.839	379.150	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 2.606 income (December 31, 2016 – TL 5.290 income).

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.

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 September 30, 2017 is EUR 404 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

(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 September 30, 2017

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

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 – 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								
Operating revenue continuing	3.414.434	2.437.953	213.144	235.690	506.843	3.273.479	(5.186)	10.076.357
Operating expenses continuing	(3.354.921)	(658.119)	(79.302)	(103.157)	(186.123)	(2.332.327)	5.186	(6.708.763)
Net operating income continuing	59.513	1.779.834	133.842	132.533	320.720	941.152	-	3.367.594
Dividend income ⁽²⁾	-	-	-	-	-	10.306	-	10.306
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	-	65.754	-	65.754
Profit before tax	59.513	1.779.834	133.842	132.533	320.720	1.017.212	-	3.443.654
Tax expense ⁽²⁾	-	-	-	-	-	(709.035)	-	(709.035)
Net period income from continuing operations	59.513	1.779.834	133.842	132.533	320.720	308.177	-	2.734.619
Minority interest (-)	-	-	-	-	-	(53)	-	(53)
Group income/loss	59.513	1.779.834	133.842	132.533	320.720	308.124	-	2.734.566
Segment assets	77.472.623	93.094.981	171.371	10.077.603	18.598.166	96.380.873	(2.693.497)	293.102.120
Investments in associates, subsidiaries and joint ventures	-	-	-	-	-	754.963	-	754.963
Total assets	77.472.623	93.094.981	171.371	10.077.603	18.598.166	97.135.836	(2.693.497)	293.857.083
Segment liabilities	70.377.371	57.267.660	30.625.868	8.011.887	16.167.776	85.122.463	(2.691.260)	264.881.765
Shareholders' equity	-	-	-	-	-	28.975.318	-	28.975.318
Total liabilities	70.377.371	57.267.660	30.625.868	8.011.887	16.167.776	114.097.781	(2.691.260)	293.857.083

	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 ⁽³⁾								
Operating revenue continuing	3.278.257	2.057.652	173.367	192.754	424.442	2.830.516	(5.811)	8.951.177
Operating expenses continuing	(3.069.357)	(643.800)	(74.440)	(91.637)	(159.080)	(1.974.281)	5.811	(6.006.784)
Net operating income continuing	208.900	1.413.852	98.927	101.117	265.362	856.235	-	2.944.393
Dividend income ⁽²⁾	-	-	-	-	-	6.059	-	6.059
Income/Loss from Investments accounted based on equity method ⁽²⁾	-	-	-	-	-	56.461	-	56.461
Profit before tax	208.900	1.413.852	98.927	101.117	265.362	918.755	-	3.006.913
Tax expense ⁽²⁾	-	-	-	-	-	(644.048)	-	(644.048)
Net period income from continuing operations	208.900	1.413.852	98.927	101.117	265.362	274.707	-	2.362.865
Minority interest (-)	-	-	-	-	-	(46)	-	(46)
Group income/loss	208.900	1.413.852	98.927	101.117	265.362	274.661	-	2.362.819
Segment assets	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) Related items 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 September 30, 2016 results.

(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 September 30, 2017

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

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	1.337.564	1.031.271	1.451.290	1.247.992
The CBRT ⁽¹⁾	3.058.694	27.115.723	7.600.149	22.123.910
Other	-	612.953	-	659.954
Total	4.396.258	28.759.947	9.051.439	24.031.856

(1) The balance of gold amounting to TL 4.639.236 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⁾	1.159.649	4.932.786	7.600.149	196.747
Time unrestricted amount	1.899.045	-	-	-
Time restricted amount	-	398.278	-	2.107.234
Reserve requirement ⁽²⁾	-	21.784.659	-	19.819.929
Total	3.058.694	27.115.723	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	264.869	361	341.551	52
Swap transactions ⁽¹⁾	2.153.450	443.817	2.175.021	359.084
Futures transactions	-	-	-	-
Options	120.167	76.058	87.886	33.873
Other	-	5.030	15	-
Total	2.538.486	525.266	2.604.473	393.009

(1) Includes Credit Default Swaps

(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 September 30, 2017

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

1.4. Information on banks:

1.4.1 Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	653.575	2.741.818	42.324	1.721.272
Foreign ⁽¹⁾	23.227	1.791.030	813	1.684.557
Head quarters and branches abroad	-	-	-	-
Total	676.802	4.532.848	43.137	3.405.829

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 8.020 (December 31, 2016 – TL 21.364).

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 4.544.128 (December 31, 2016 - TL 1.567.715) and available-for-sale financial assets subject to repo transactions amounts to TL 4.827.549 (December 31, 2016 - TL 3.651.723).

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

	Current Period	Prior Period
Debt securities	23.134.189	18.381.399
Quoted on stock exchange	22.300.049	17.566.627
Not quoted ⁽¹⁾	834.140	814.772
Share certificates	175.351	152.061
Quoted on stock exchange	125	119
Not quoted ⁽²⁾	175.226	151.942
Impairment provision (-) ⁽³⁾	(218.719)	(243.991)
Other ⁽⁴⁾	81.634	96.640
Total	23.172.455	18.386.109

(1) Includes credit linked notes amounting to TL 410.708 (December 31, 2016 - TL 395.756).

(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	8.783	1.396.783	105.720	1.158.561
Loans granted to employees	152.701	561	150.384	620
Total	161.484	1.397.344	256.104	1.159.181

(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 September 30, 2017

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

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	185.267.160	3.057.223	-	5.292.672	2.412.045	150.698
Loans given to enterprises	90.952.298	1.203.696	-	1.657.647	1.006.669	114.714
Export loans	7.532.219	151.550	-	105.450	56.386	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	4.875.665	-	-	-	-	-
Consumer loans	32.705.938	801.581	-	1.082.787	274.074	20.312
Credit cards	23.434.743	639.124	-	401.214	160.823	10.701
Other ⁽¹⁾	25.766.297	261.272	-	2.045.574	914.093	4.971
Specialized lending	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	185.267.160	3.057.223	-	5.292.672	2.412.045	150.698

(1) Fair value differences of the hedged items amounting to TL 13.584 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⁾		
Extended by 1 or 2 times	2.759.209	1.983.657
Extended by 3,4 or 5 times	271.038	399.905
Extended by more than 5 times	26.976	28.483
Total	3.057.223	2.412.045

	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	420.468	211.535
6 - 12 Months	139.299	171.049
1 - 2 Years	225.174	240.296
2 - 5 Years	1.559.814	945.528
5 Years and over	712.468	843.637
Total	3.057.223	2.412.045

- (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 50 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. 39 of them were restructured once or twice, 7 of them were structured three, four or five times, 4 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 540 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. 461 of them were restructured once or twice, 63 of them were restructured three, four or five times, 16 of them were structured more than five times.

(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 September 30, 2017

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

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	297.768	31.892.022	32.189.790
Real estate loans	5.599	13.687.885	13.693.484
Automotive loans	11.334	369.191	380.525
Consumer loans	280.835	17.834.946	18.115.781
Other	-	-	-
Consumer loans-FC indexed	-	23.908	23.908
Real estate loans	-	23.472	23.472
Automotive loans	-	-	-
Consumer loans	-	436	436
Other	-	-	-
Consumer loans-FC	20.899	43.187	64.086
Real estate loans	1.726	14.161	15.887
Automotive loans	255	821	1.076
Consumer loans	6.769	14.884	21.653
Other	12.149	13.321	25.470
Individual credit cards-TL	16.091.796	819.764	16.911.560
With installments	8.610.719	809.114	9.419.833
Without installments	7.481.077	10.650	7.491.727
Individual credit cards-FC	36.511	30.478	66.989
With installments	23.888	30.478	54.366
Without installments	12.623	-	12.623
Personnel loans-TL	4.656	58.697	63.353
Real estate loans	43	2.222	2.265
Automotive loans	10	158	168
Consumer loans	4.603	56.317	60.920
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	456	512	968
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	136	409	545
Other	320	103	423
Personnel credit cards-TL	85.566	524	86.090
With installments	42.593	524	43.117
Without installments	42.973	-	42.973
Personnel credit cards-FC	743	58	801
With installments	341	58	399
Without installments	402	-	402
Credit deposit account-TL (Real Person)⁽¹⁾	1.446.507	-	1.446.507
Credit deposit account-FC (Real Person)	113	-	113
Total	17.985.015	32.869.150	50.854.165

(1) TL 1.489 of the credit deposit account belongs to the loans used by personnel.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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	805.002	14.620.646	15.425.648
Business loans	5.641	1.186.158	1.191.799
Automotive loans	44.454	1.149.527	1.193.981
Consumer loans	754.907	12.284.961	13.039.868
Other	-	-	-
Commercial installments loans-FC indexed	8.554	182.256	190.810
Business loans	-	13.526	13.526
Automotive loans	-	46.339	46.339
Consumer loans	8.554	122.391	130.945
Other	-	-	-
Commercial installments loans-FC	-	-	-
Business loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	6.767.140	2.824	6.769.964
With installment	4.372.460	1.471	4.373.931
Without installment	2.394.680	1.353	2.396.033
Corporate credit cards-FC	553	-	553
With installment	-	-	-
Without installment	553	-	553
Credit deposit account-TL (legal person)	874.784	-	874.784
Credit deposit account-FC (legal person)	-	-	-
Total	8.456.033	14.805.726	23.261.759

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	187.142.722	172.498.400
Foreign loans	3.417.110	3.987.437
Total	190.559.832	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	23.279	21.974
Indirect loans granted to associates and subsidiaries	-	-
Total	23.279	21.974

(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 September 30, 2017

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

1.7.7. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectability	100.992	167.995
Loans and other receivables with doubtful collectability	602.374	722.883
Uncollectible loans and other receivables	5.931.694	5.779.704
Total	6.635.060	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)	52.353	30.378	324.237
Restructured loans and other receivables	52.353	30.378	324.237
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	-	-	-

(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 September 30, 2017

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

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 (+)	2.153.791	71.436	93.909
Transfers from other categories of non-performing loans (+)	-	2.354.338	2.422.616
Transfer to other categories of non-performing loans (-)	2.354.338	2.422.616	-
Collections (-)	169.078	248.760	581.248
FX valuation differences	(100)	76	(288)
Write-offs (-)	-	-	1.628.514
Corporate and commercial loans	-	-	275.745
Consumer loans	-	-	773.457
Credit cards	-	-	579.312
Other	-	-	-
Current Period	650.269	1.574.960	6.315.786
Specific provision (-)	(100.992)	(602.374)	(5.931.694)
Net balance on balance sheet	549.277	972.586	384.092

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 amounting to TL 1.626.322 to a selection of asset management companies for a total amount of TL 89.957.

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	111	1.320	149.450
Specific provision (-)	(60)	(1.082)	(90.790)
Net balance on-balance sheet	51	238	58.660
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.

(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 September 30, 2017

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

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)	549.277	972.586	384.092
Loans granted to real persons and corporate entities (gross)	650.269	1.546.551	6.231.026
Specific provision amount (-)	(100.992)	(588.170)	(5.846.934)
Loans granted to real persons and corporate entities (net)	549.277	958.381	384.092
Banks (gross)	-	28.409	773
Specific provision amount (-)	-	(14.204)	(773)
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 7.692.429 (December 31, 2016 - TL 2.779.442). Held-to-maturity investments subject to repurchase agreements amount to TL 1.217.079 (December 31, 2016 - TL 2.990.209).

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

	Current Period	Prior Period
Government bond	11.324.696	10.789.054
Treasury bill	-	-
Other debt securities	866.204	799.836
Total	12.190.900	11.588.890

(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 September 30, 2017

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

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

	Current Period	Prior Period
Debt securities	12.547.711	11.887.471
Quoted on stock exchange	12.547.711	11.887.471
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(356.811)	(298.581)
Total	12.190.900	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⁾	198.626	1.203.918
Purchases during year	654.884	1.703.125
Transfers ⁽²⁾	-	1.960.740
Disposals through sales and redemptions	(192.010)	(283.389)
Impairment provision (-) ⁽³⁾	(59.490)	(104.313)
Period end balance	12.190.900	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	242.827	166.867	175.758	2.392	63	28.103	10.180	-
2	80.785	43.157	49.254	701	-	3.260	9.586	-

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

(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 September 30, 2017

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

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	16.693.320	1.726.725	11.938	165.038	19.583	121.058	105.577	-
2	1.315.452	374.870	25.363	63.534	-	107.615	137.652	-

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	60.228	119.389
Purchases	-	-
Bonus shares obtained	-	-
Share of current year income	65.550	88.099
Sales	-	-
Foreign exchange gain/(loss) stems from the foreign subsidiaries ⁽¹⁾	32.191	58.861
Impairment provision ⁽²⁾	(37.513)	(27.571)
Balance at the end of the period	724.842	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	495.822	437.143
Insurance companies	229.020	227.471
Total financial investments	724.842	664.614

1.9.8. Investments in associates quoted on stock exchange: 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.

Notes to consolidated financial statements September 30, 2017

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

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	13.683	-	-	-	(1.761)
Other capital reserves	93.686	(6)	(217.064)	-	-
Legal reserves	68.310	8.034	79.305	21.309	-
Extraordinary reserves	194.481	10.458	771.384	-	572.993
Other reserves	-	-	-	-	677.453
Profit/loss	1.975	132.664	887.206	24.078	74.405
Current period net profit	71.921	30.912	186.628	24.078	74.405
Prior period profit	(69.946)	101.752	700.578	-	-
Leasehold improvements (-)	-	-	303	211	201
Intangible assets (-)	21.740	2.229	5.186	388	138
Total core capital	463.010	209.635	1.905.270	50.495	1.435.193
Supplementary capital	-	10.127	48.576	-	235
Capital	463.010	219.762	1.953.846	50.495	1.435.428
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	463.010	219.762	1.953.846	50.495	1.435.428

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

(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 September 30, 2017

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

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	36.385	26.333	1.073	81	-	4.354	3.484	-
2	40.498	27.653	4.903	1.908	-	1.774	1.288	-
3	10.252	7.767	1.805	591	-	1.508	644	-

(1) Financial statement information disclosed above shows September 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.

(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 September 30, 2017

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

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	229.574	229.062	-	-	-	(895)	(186)	-	-
2	5.195.507	489.254	43.017	206.954	4.448	71.921	49.557	-	-
3	3.087.901	211.864	2.918	176.510	-	30.912	25.688	-	-
4	451.415	219.537	16.553	29.780	1.258	11.762	9.511	-	-
5	10.486.302	1.910.759	5.971	472.298	-	186.628	172.803	-	-
6	61.017	51.074	949	4.857	-	24.078	18.624	-	-
7	8.074.743	1.435.532	847	308.478	9.940	74.405	67.644	-	-
8	898.659	151.770	27.952	45.201	1.490	14.602	(1.576)	-	-
9	643.663	250.265	2.499	15.391	248	2.918	(1.063)	-	-

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	494.630	611.288
Purchases ⁽¹⁾	-	-
Free shares obtained profit from current years share	-	-
Share of current year income	392.656	431.423
Sales	-	-
Transfers	-	-
Revaluation (decrease) / increase ⁽¹⁾	206.028	270.579
Impairment provision ⁽²⁾	(104.054)	(90.714)
Balance at the end of the period	4.720.354	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	1.335.955	1.136.275
Insurance companies	-	-
Factoring companies	211.763	214.850
Leasing companies	1.910.643	1.724.028
Finance companies	-	-
Other financial subsidiaries	1.261.993	1.150.571
Total financial subsidiaries	4.720.354	4.225.724

1.10.6. Subsidiaries quoted on stock exchange:

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.

Notes to consolidated financial statements September 30, 2017

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

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	85.968	64.638	29.099	56.869	8.815	44.858	(44.065)
Total			85.968	64.638	29.099	56.869	8.815	44.858	(44.065)

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	3.749.028	3.034.280	2.932.321	2.402.637
Between 1- 4 years	5.840.935	4.875.956	5.196.033	4.378.313
More than 4 years	1.782.131	1.602.528	1.705.737	1.523.536
Total	11.372.094	9.512.764	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	2.763.177	8.608.917	2.229.318	7.604.773
Unearned financial income from leases (-)	(664.373)	(1.194.957)	(509.000)	(1.020.605)
Amount of cancelled leases (-)	-	-	-	-
Total	2.098.804	7.413.960	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⁾	54.556	-	246.295	-
Cash flow hedge ⁽¹⁾	933.303	103.832	850.313	113.104
Foreign net investment hedge	-	-	-	-
Total	987.859	103.832	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).

(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 September 30, 2017

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

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	110.286	98.410
Disposals (-), net	(92.895)	(81.544)
Impairment provision reversal	313	1.908
Impairment provision (-)	-	(416)
Depreciation (-)	-	(5.714)
Translation differences	222	(383)
Net book value at the end of the period	184.109	166.183
Cost at the end of the period	197.104	182.137
Accumulated depreciation at the end of the period (-)	(12.995)	(15.954)
Net book value at the end of the period	184.109	166.183

As of September 30, 2017, the Group booked impairment provision on assets held for resale with an amount of TL 6.033 (December 31, 2016 - TL 6.346).

1.16. Information on other assets:

As of September 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)

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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	6.448.321	2.281	1.156.852	33.597.508	1.612.823	154.562	152.236	830	43.125.413
Foreign currency deposits	14.847.378	55.787	11.700.897	46.009.987	6.325.479	6.609.089	2.556.041	-	88.104.658
Residents in Turkey	13.142.418	20.807	11.421.354	44.707.506	4.413.919	3.563.471	1.074.356	-	78.343.831
Residents abroad	1.704.960	34.980	279.543	1.302.481	1.911.560	3.045.618	1.481.685	-	9.760.827
Public sector deposits	496.070	-	-	14.575	3	422	71	-	511.141
Commercial deposits	7.165.243	-	4.864.465	9.430.676	835.695	868.669	292.141	-	23.456.889
Other institutions deposits	114.897	-	65.501	1.334.780	309.161	272.939	456	-	2.097.734
Precious metals vault	621.182	-	111.343	345.689	23.847	33.819	17.596	-	1.153.476
Bank deposits	536.530	190.546	3.437.485	1.290.082	628.356	453.479	17.511	-	6.553.989
The CBRT	-	-	1.919.457	-	-	-	-	-	1.919.457
Domestic banks	9.087	91.885	1.347.557	558.028	104.436	63.345	2.183	-	2.176.521
Foreign banks	259.590	98.661	170.471	732.054	523.920	390.134	15.328	-	2.190.158
Participation banks	267.853	-	-	-	-	-	-	-	267.853
Other	-	-	-	-	-	-	-	-	-
Toplam	30.229.621	248.614	21.336.543	92.023.297	9.735.364	8.392.979	3.036.052	830	165.003.300

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

(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 September 30, 2017

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

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	22.566.917	21.149.862	20.634.934	20.005.450
Foreign currency savings deposit	9.519.967	7.420.214	26.510.380	21.307.662
Other deposits in the form of savings deposits	415.524	329.328	629.703	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	6.817	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	143.520	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	85.477	344	194.823	-
Swap transactions ⁽¹⁾	1.934.765	224.774	1.914.258	343.058
Futures transactions	-	-	-	-
Options	107.819	79.982	79.854	45.617
Other	-	4.074	-	1.069
Total	2.128.061	309.174	2.188.935	389.744

(1) Includes Credit Default Swaps

(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 September 30, 2017

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

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	-	112.607	-	418.480
From domestic banks and institutions	1.551.240	1.159.644	985.663	1.387.972
From foreign banks, institutions and funds	411.172	30.873.640	381.767	27.334.892
Total	1.962.412	32.145.891	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	1.392.862	526.967	732.279	2.896.348
Medium and long-term	569.550	31.618.924	635.151	26.244.996
Total	1.962.412	32.145.891	1.367.430	29.141.344

2.3.3. Information on marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.289.251	86.821	1.399.791	86.665
Asset backed securities	-	6.388.891	-	6.564.507
Bonds	3.287.091	9.543.203	2.591.092	7.438.412
Collateralized securities	293.992	-	288.650	-
Total	4.576.342	16.018.915	3.990.883	14.089.584

- (1) The Bank classified some of its financial liabilities as the financial liabilities classified at fair value through profit/loss in order to eliminate the accounting mismatch at the initial recognition in accordance with TAS 39 paragraph 9. As of September 30, 2017, the total amount of financial liabilities classified as fair value through profit/loss is TL 4.304.526 (December 31, 2016 –TL 4.111.709) with an accrued interest expense of TL 94.695 (December 31, 2016 - TL 97.254 income) and with a fair value difference of TL 190.000 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 September 30, 2017 are TL 4.032.226 (December 31, 2016: TL 4.033.003) for buy legs and TL ise 4.032.226 (December 31, 2016: TL 4.033.003) for sell legs with a fair value differences amounting to TL 69.375 asset (December 31, 2016 –TL 97.052 liability). 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.

(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 September 30, 2017

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

2.4. Information on other liabilities:

As of September 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	125.423	109	49.949	508
Cash flow hedge	59.412	25.587	16.314	22.525
Foreign net investment hedge	-	-	-	-
Total	184.835	25.696	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	2.601.338	2.475.808
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	<i>159.032</i>	<i>184.180</i>
II. Provisions for second group loans and receivables	250.181	268.623
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	<i>89.592</i>	<i>92.159</i>
Provisions for non-cash loans	109.048	107.664
Other	303.394	257.476
Total	3.263.961	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.

(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 September 30, 2017

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

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	38.465	30.757
Recognized in equity	233.855	(2.683)
Paid during the period	(33.873)	(40.431)
Foreign currency differences	(441)	479
Balance at the end of the period	367.516	129.510

In addition, the Group has accounted for unused vacation rights provision amounting to TL 172.157 as of September 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 September 30, 2017, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 13.723 (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	142.408	150.517
Provisions on credit cards and promotion campaigns related to banking services	83.836	75.955
Provision on export commitment tax and funds liability	48.949	43.588
Other	287.921	345.114
Total	1.131.120	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	62.423	10.585
Taxation of Marketable Securities	131.336	108.253
Property Tax	2.854	2.872
Banking Insurance Transaction Tax ("BITT")	92.589	108.913
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	3.735	10.414
Other	50.065	37.975
Total	343.002	279.012

(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 September 30, 2017

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

2.8.2. Information on premium payables:

	Current Period	Prior Period
Social security premiums - employee	700	88
Social security premiums - employer	786	102
Bank pension fund premiums - employee	19.072	15.310
Bank pension fund premiums - employer	19.675	15.798
Pension fund deposit and provisions - employee	-	-
Pension fund deposit and provisions - employer	-	-
Unemployment insurance - employee	1.361	1.093
Unemployment insurance - employer	2.724	2.187
Other	-	-
Total	44.318	34.578

2.8.3. Information on deferred tax liability:

There is a deferred tax liability amounting to TL 76.184 as of September 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).

(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 September 30, 2017

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

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	-	9.162.631	-	9.067.893
From other foreign institutions	-	-	-	-
Total	-	9.162.631	-	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).

(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 September 30, 2017

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

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⁾	(302.550)	61.326	(377.643)	(86.111)
Valuation differences	(302.550)	61.326	(377.643)	(86.111)
Foreign currency differences	-	-	-	-
Total	(302.550)	61.326	(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)	53	65
Dividends paid	(38)	(37)
Period ending balance	517	502

(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 September 30, 2017

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

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	32.535.832	29.878.711
Loan granting commitments	9.440.101	8.877.881
Commitments for cheques	6.853.366	6.686.199
Other irrevocable commitments	107.868.953	20.964.614
Total	156.698.252	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 109.048 (December 31, 2016 - TL 107.664) and specific provision amounting to TL 893.518 (December 31, 2016 - TL 875.166) for non-cash loans which are not indemnified yet amounting to TL 142.408 (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	238.095	195.766
Letter of credits	11.641.916	9.193.170
Other guarantees and collaterals	6.504.046	6.273.317
Total	18.384.057	15.662.253

3.1.2.2. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.463.808	3.060.589
Definite letter of guarantees	36.258.783	33.508.036
Advance letter of guarantees	9.399.099	8.291.959
Letter of guarantees given to customs	2.330.328	2.100.488
Other letter of guarantees	7.779.522	5.831.159
Total	58.231.540	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	7.351.904	5.483.022
With original maturity of 1 year or less than 1 year	2.174.430	855.258
With original maturity of more than 1 year	5.177.474	4.627.764
Other non-cash loans	69.263.693	62.971.462
Total	76.615.597	68.454.484

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

3.2. Information on contingent liabilities and assets:

The Group has recorded a provision of TL 83.836 (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⁾	3.833.116	358.427	3.895.871	293.407
Medium/long-term loans ⁽¹⁾	6.178.025	2.710.247	5.222.540	2.089.597
Interest on loans under follow-up	69.010	-	62.421	136
Premiums received from resource utilisation support fund	-	-	-	-
Total	10.080.151	3.068.674	9.180.832	2.383.140

(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	83.626	18	-	11
From domestic banks	139.008	155	101.066	924
From foreign banks	1.576	37.676	1.757	22.337
Headquarters and branches abroad	-	-	-	-
Total	224.210	37.849	102.823	23.272

4.1.3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	1.729	1.147	3.716	879
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	1.493.627	118.066	1.158.070	143.006
From held-to-maturity investments	371.115	295.756	297.658	235.720
Total	1.866.471	414.969	1.459.444	379.605

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

	Current Period	Prior Period
Interests received from associates and subsidiaries	1.476	720

(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 September 30, 2017

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

4.2. Information on interest expense:

4.2.1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	135.658	756.505	64.247	569.120
The CBRT	-	3.006	-	-
Domestic banks	102.151	38.765	26.711	27.131
Foreign banks	33.507	714.734	37.536	541.989
Headquarters and branches abroad	-	-	-	-
Other institutions	-	149.953	102	112.159
Total⁽¹⁾	135.658	906.458	64.349	681.279

(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	4.039	2.331

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	368.064	486.875	327.274	377.516
Total	368.064	486.875	327.274	377.516

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	Prior Period	
								Total	Prior Period
TL									
Bank deposit	172	81.943	3.668	-	171	67	45	86.066	111.087
Saving deposit	-	91.652	2.893.191	131.624	13.973	11.792	-	3.142.232	2.612.854
Public sector deposit	-	94	1.665	71	25	4	-	1.859	6.131
Commercial deposit	23	315.657	1.451.480	132.496	96.272	34.589	-	2.030.517	1.853.826
Other deposit	-	10.938	465.143	81.007	17.144	28	-	574.260	420.127
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Total	195	500.284	4.815.147	345.198	127.585	46.480	45	5.834.934	5.004.025
FC									
Foreign currency deposit	1.213	266.664	871.669	51.883	52.380	42.278	-	1.286.087	785.270
Bank deposit	550	19.078	16.301	8.879	6.130	867	-	51.805	36.857
Deposit with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	536	1.454	107	210	64	-	2.371	1.446
Total	1.763	286.278	889.424	60.869	58.720	43.209	-	1.340.263	823.573
Grand total	1.958	786.562	5.704.571	406.067	186.305	89.689	45	7.175.197	5.827.598

(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 September 30, 2017

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

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

	Current Period	Prior Period
Gain	31.123.937	21.275.834
Gain from capital market transactions	75.794	130.589
Derivative financial transaction gains	10.159.424	7.441.507
Foreign exchange gains	20.888.719	13.703.738
Loss(-)	(31.325.357)	(21.125.123)
Loss from capital market transactions	(26.130)	(101.667)
Derivative financial transaction losses	(11.996.872)	(8.219.413)
Foreign exchange loss	(19.302.355)	(12.804.043)
Net gain/loss	(201.420)	150.711

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 1.422.084 (September 30, 2016 - TL 714.702 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	2.233.829	1.570.252
III. Group loans and receivables	70.120	45.180
IV. Group loans and receivables	47.426	176.610
V. Group loans and receivables	2.116.283	1.348.462
General provision expenses	153.426	323.292
Provision expense for possible risks	50.000	50.000
Marketable securities impairment expenses ⁽¹⁾	44.971	35.361
Financial assets at fair value through profit or loss	369	700
Available-for-sale financial assets	44.602	34.661
Impairment of investments in associates, subsidiaries and held-to-maturity securities	56.093	53.996
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	56.093	53.996
Other	15.961	34.046
Total	2.554.280	2.066.947

(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.

(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 September 30, 2017

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

4.7. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	1.879.268	1.713.479
Reserve for employee termination benefits	4.739	3.250
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	-
Depreciation expenses of property and equipment	171.424	175.103
Impairment expenses of intangible assets	-	13
Goodwill impairment expenses	-	-
Amortization expenses of intangible assets	99.266	92.495
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	329
Depreciation expenses of assets held for resale	-	4.065
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.454.544	1.424.243
Operational lease expenses	228.998	229.976
Repair and maintenance expenses	88.294	75.566
Advertising expenses	111.090	84.580
Other expense	1.026.162	1.034.121
Loss on sales of assets	-	13
Other	545.242	526.847
Total	4.154.483	3.939.837

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

As of September 30, 2017, the Group has current tax expense amounting to TL 871.303 (September 30, 2016 - TL 711.128) and deferred tax income amounting to TL 162.268 (September 30, 2016 - TL 67.080).

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	53	46

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.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

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	23.279	18.961	366.391	1.396.783	2.444.670	2.800.821
Interest and commission income received	1.476	87	5.176	6.067	236.462	9.816

(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⁾	720	88	2.857	5.487	179.969	8.053

(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 September 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
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	41.413	232.820	28.322.924	24.423.963	13.769.474	14.406.822
Interest expense on deposits ⁽³⁾	4.039	2.331	1.042.887	818.813	583.673	399.205

(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 September 30, 2016.

(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 September 30, 2017

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

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⁾	-	-	3.246.971	8.532.884	4.767.707	1.104.683
Total profit / loss⁽⁴⁾	239	(8.145)	(62.544)	(61.482)	29.894	21.961
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 September 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 45.816 as of September 30, 2017 (September 30, 2016 - TL 46.034).

6. Explanations and notes related to subsequent events

It is resolved on October 25, 2017 by the Bank's Board of Directors to sell our Group's 100% shares in Yapı Kredi Bank Moscow with Russian Rouble 478.272.000 nominal value to Expobank LLC in Russia for Russian Rouble 3.300.000.000 and to sign the Share Purchase Agreement with Expobank LLC regarding this issue.

Section six - Explanations on independent audit report

1. Explanations on independent auditor's report

The consolidated financial statements for the period ended September 30, 2017 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent auditor's report dated October 27, 2017 is presented preceding the consolidated financial statements.

2. Explanations and notes prepared by independent auditor

None.

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

Section seven⁽¹⁾ – Information on Interim Activity Report

1. Interim activity report which also contains the evaluation of the Chairman and the CEO of the Bank about the interim period activities

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

In the third quarter of 2017, the operating environment remained stable, when the Central Bank of Turkey maintained the tight monetary conditions, by keeping the level of effective policy rate at high levels with the intention to keep the inflation under control. Gross Domestic Product growth reached to 5.1% levels in first half of 2017, thanks to the stimulus by the government. That being said, the sector remained resilient thanks to the stabilization in macroeconomic environment through active support of the regulatory authorities.

Total loans in the banking sector reached TL 1,921 billion indicating 14.8% year-to-date growth which was supported by the government's Credit Guarantee Fund facility. During the same period, total deposits reached TL 1,621 billion, indicating 11.3% year-to-date increase. Accordingly, the sector's loan to deposit ratio including TL bonds increased to 119% in first nine months of 2017 from 115% at year-end 2016. The banking sector's non-performing loan ratio declined 20 basis points year-to-date to 2.96% supported by the non-performing loan sales of TL 4,027 million, so far in the year.

In the nine months 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 issuance in the international debt capital markets. On the other hand, on October 2017, Yapı Kredi finalised US\$ 1,350 million worth of syndicated loan deal at a 113% roll-over ratio with participation of 37 banks from 17 countries. 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 third quarter of the year. As "Turkey's Digital Bank", that builds the banking world of the future, Yapı Kredi ("Yapı Kredi Mobile" and "yapikredi.com.tr") returned from the Stevie International Awards, regarded as one of the world's most prestigious events in digital banking, with 6 awards in banking and finance categories, 5 of which are gold and 1 of which is silver.

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

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

1.2. Message Yapı Kredi's CEO Faik Açıkalın:

In the third quarter of the year, the limited volatility in Lira and continuation of strong growth resulted in stabilization of the operating environment. Given the high inflation levels, the Central Bank of Turkey maintained the tight monetary policy with the intention to keep the Consumer Price Index under control. 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 third quarter of 2017, with the pickup in private consumption.

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 293.9 billion and net income was recorded at TL 2,735 million in the first nine month of the year indicating 27% year-over-year growth excluding the Visa sale gain in 2016.

In terms of lending, the Bank's cash and non-cash loans reached TL 267.2 billion. In terms of performing cash loans, Yapı Kredi recorded 8% growth year-to-date to TL 190.6 billion indicating 16.0% 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 165.0 billion indicating 15.4% market share among private banks. As a result, in the first nine months of 2017, loans to deposits ratio including TL bonds increased slightly to 112%, which is within the Bank's targeted levels.

Digitalisation remained a strong focus area for the Bank in the third quarter of 2017. While the digitalization strategy continues full force, Yapı Kredi, as "The Digital Bank of Turkey", won awards in 5 categories at the Global Finance Awards 2017.

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

H. Faik Açıkalın
CEO

Yapı ve Kredi Bankası A.Ş.

Notes to consolidated financial statements September 30, 2017

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

1.3. Overview of Financial Performance:

On 27 October 2017, Yapı Kredi announced its consolidated results for the nine months 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 267.2 billion, while total deposits materialised at TL 165.0 billion. The Bank's net income (adjusted for the Visa sale gains in the second quarter of 2016) increased by 27% year-over-year and reached TL 2,735 million indication return on average tangible equity of 14.0%. Quarterly net income was recorded at TL 841 million.

Capital ratios supported by the ongoing internal capital generation

The capitalization of the Bank continued to improve during the nine months of 2017 through internal capital generation on the back of profitability acceleration. Consolidated Capital Adequacy Ratio increased 53 basis points year-to-date to 13.8% and Common Equity Tier-1 ratio also increased 52 basis points to 10.3%.

Balanced and Selective volume growth

Yapı Kredi achieved 8% year-to-date growth in performing loans to TL 190.6 billion. Loan growth was well diversified among segments with the commercial loan growth being supported by the effective utilization of Credit Guarantee Fund as well as the increase in retail loans. The Bank's deposits grew by 5% year-to-date and reached TL 165.0 billion. Accordingly, loan-to-deposits plus TL bonds ratio stood at 112%. Yapı Kredi's market share, among private banks, in loans and deposits was recorded at 16.0% and 15.4%, respectively

In terms of funding, the Bank successfully renewed its syndicated loan in October 2017 with the participation of 37 banks from 17 countries and a roll over ratio of 113%. The facility has US\$311.3 million and €699.7 million tranches with one-year of maturity at a cost of Libor+1.35% and Euribor+1.25% per annum, and US\$100 million and €100 million tranches with two-year of maturity at a cost of Libor+2.20% and Euribor+2.10%.

Strong profitability through core business activity and cost elimination efforts

In the first nine months of 2017, Yapı Kredi increased its total revenues (adjusted for Visa sale gain in 2016) by 10% year-over-year driven by double digit growth in both net interest income and fees. On the other hand, continued discipline in cost management was evident with cost growth contained at 5% compared to inflation of 11.2%. 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 increase, leading to 29 basis points year-over-year improvement in cost of risk to 1.11%. Accordingly, net income (adjusted for Visa sale gain) increased by 27% over the first nine months of 2016 (Reported: +16% year-over-year) and the Bank achieved 14.0% return on average tangible equity.

Asset quality dynamics continued to improve

Non-performing loan ratio improved 48 basis points year-to-date to 4.3% in the first nine months of 2017 which was supported by sales of non-performing loan portfolios with a total amount of TL 1.6 billion. During this period, specific coverage ratio increased to 78% from 76% in 2016.

(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 September 30, 2017

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

1.4. Summary of Consolidated Financials

TL million	Current Period (30.09.2017)	Prior Period (31.12.2016)
Total Assets	293,857	271,135
Performing Loans	190,560	176,486
Total Deposits	165,003	157,088
Shareholder's Equity	28,975	26,121
Loans/ Assets	65%	65%
Deposits/Assets	56%	58%
NPL	4.3%	4.8%
CAR	13.8%	13.2%

TL million	Current Period (30.09.2017)	Prior Period (30.09.2016)
Net Profit	2,735	2,363
Return on Average Tangible Equity	14.0%	14.0%

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

- On 22 September 2017, Yapı Kredi's Board of Directors resolved to sell non-performing loans amounting in aggregate to 307,013,963.41 TL as of 31.07.2017, to Hayat Varlık Yönetim A.Ş. and Emir Varlık Yönetim A.Ş. for a total amount of 17,650,000.00 TL.
- On 9 October 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\$ 411.3 million and € 799.7 million. The Dual Currency Term Loan Facility was raised by a syndicate including 37 of Yapı Kredi's key relationship banks from 17 countries.

(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 September 30, 2017

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

1.6. Current Trends and Expectations for the Upcoming Period:

All guidance have been maintained

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.