

# **Yapı ve Kredi Bankası A.Ş.**

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

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

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

## **REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

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

### **Introduction**

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

### **Scope of Review**

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

### **Conclusion**

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

### **Report on other regulatory requirements arising from legislation**

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

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

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

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



November 2, 2016  
İstanbul, Turkey



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


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


**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](http://www.yapikredi.com.tr)  
**E-Mail** : [financialreports@yapikredi.com.tr](mailto:financialreports@yapikredi.com.tr)


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


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


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

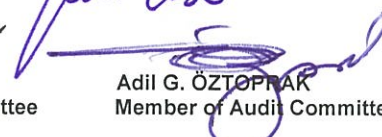
  
Y. Ali KOÇ  
Chairman of the  
Board of Directors

  
H. Faik AÇIKALIN  
Chief Executive Officer

  
Massimo FRANCESE  
Chief Financial Officer

  
B. Seda İKİZLER  
Financial Reporting and  
Accounting Executive  
Vice President

  
Mirko D.G. BIANCHI  
Chairman of Audit Committee

  
Adil G. ÖZTOPRAK  
Member of Audit Committee

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

**Name-Surname / Title** : Aysel Taktak / Regulatory Reporting Manager  
**Telephone Number** : 0212 339 63 29  
**Fax Number** : 0212 339 61 05

## **SECTION ONE**

### **General information**

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status, if any	1
II.	Explanation about the 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
III.	Explanations regarding the board of directors, members of the audit committee, chief executive officer and executive vice presidents and their areas of responsibility and shares if any	2
IV.	Information on the individual and corporate shareholders having control shares of the Bank	3
V.	Summary information on the Bank's activities and service types	3
VI.	Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods	4
VII.	The existing or potential, actual or legal obstacles on the immediate transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities	4

## **SECTION TWO**

### **Unconsolidated financial statements**

I.	Balance sheet (Statement of Financial Position)	5
II.	Off-balance sheet commitments	7
III.	Income statements	8
IV.	Statement of income and expense items accounted under shareholders' equity	10
V.	Statement of changes in shareholders' equity	11
VI.	Statement of cash flows	13

## **SECTION THREE**

### **Accounting policies**

I.	Explanations on basis of presentation	14
II.	Explanations on strategy of using financial instruments and foreign currency transactions	15
III.	Explanations on investments in associates, subsidiaries and joint ventures	16
IV.	Explanations on forward and option contracts and derivative instruments	16
V.	Explanations on interest income and expense	18
VI.	Explanations on fee and commission income and expense	18
VII.	Explanations on financial assets	18
VIII.	Explanations on impairment of financial assets	20
IX.	Explanations on offsetting financial assets	20
X.	Explanations on sales and repurchase agreements and securities lending transactions	21
XI.	Information on assets held for resale and related to discontinued operations and explanations on liabilities related with these assets	21
XII.	Explanations on goodwill and other intangible assets	22
XIII.	Explanations on property and equipment	22
XIV.	Explanations on leasing transactions	23
XV.	Explanations on provisions, contingent asset and liabilities	24
XVI.	Explanations on obligations related to employee rights	24
XVII.	Explanations on taxation	26
XVIII.	Explanations on borrowings	27
XIX.	Explanations on issuance of share certificates	27
XX.	Explanations on avalized drafts and acceptances	27
XXI.	Explanations on government grants	27
XXII.	Profit reserves and profit distribution	28
XXIII.	Earnings per share	28
XXIV.	Related parties	28
XXV.	Explanations on operating segments	28
XXVI.	Explanations on other matters	28

## **SECTION FOUR**

### **Financial Position and Risk Management**

I.	Explanations on equity	29
II.	Explanations on credit risk	35
III.	Explanations on bank specific countercyclical buffer	35
IV.	Explanations on currency risk	35
V.	Explanations on interest rate risk	37
VI.	Explanation on share certificates position risk from banking book	39
VII.	Explanations on liquidity risk and liquidity coverage ratio	39
VIII.	Explanations on leverage ratio	43
IX.	Explanation on risk management	43
X.	Explanations on the presentation of financial assets and liabilities at fair values	44
XI.	Explanations on hedge accounting	44
XII.	Explanations on the activities carried out on behalf of others and fiduciary transactions	47
XIII.	Explanations on operating segments	47

## **SECTION FIVE**

### **Explanations and notes related to unconsolidated financial statements**

I.	Explanations and notes related to assets	49
II.	Explanations and notes related to liabilities	62
III.	Explanations and notes related to off-balance sheet accounts	69
IV.	Explanations and notes related to income statement	71
V.	Explanations and notes related to statement of changes in shareholders' equity	75
VI.	Explanations and notes related to statement of cash flows	75
VII.	Explanations and notes related to the Bank's risk group	75
VIII.	Explanations and notes related to the domestic, foreign, off-shore branches or associates and foreign representatives of the Bank	76
IX.	Explanations and notes related to subsequent events	76

## **SECTION SIX**

### **Independent auditor's review report**

I.	Explanation on auditor's review report	77
II.	Explanations and notes prepared by independent auditor	77

## **SECTION SEVEN**

### **Information on interim activity report**

I.	Interim activity report which also contains the evaluation of the Chairman and the CEO of the Bank about the interim period activities	78
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**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Section One**

**General Information**

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

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

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

KFS was established on March 16, 2001 to combine Koç Group finance companies under one organization 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. As a result of the merger and the share transfer procedures in 2007 and of a capital increase by TL 920 million in 2008, KFS shares in the Bank increased to 81,80%.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**General Information (continued)**

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

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

**Board of Directors Members:**

<b>Name</b>	<b>Responsibility</b>
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 Fadil ASHABOĞLU	Member
A. Ümit TAFTALI	Member
Dr. Jürgen KULLNIGG <sup>(1) (2)</sup>	Member
F. Füsün Akkal BOZOK	Member
Gianni F. G. PAPA <sup>(1)</sup>	Member
Giovanna VILLA	Independent Member
Giuseppe SCOGNAMIGLIO	Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Independent Member

**Audit Committee Members:**

<b>Name</b>	<b>Responsibility</b>
Mirko D. G. BIANCHI <sup>(2)</sup>	Chairman
Adil Giray ÖZTOPRAK	Member
Giovanna VILLA	Member

**General Manager and Deputy General Manager:**

<b>Name</b>	<b>Responsibility</b>
H. Faik AÇIKALIN	Chief Executive Officer
Niccolò UBERTALLI	Deputy General Manager

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

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See note I. of Section three)

## Yapı ve Kredi Bankası A.Ş.

### Notes to unconsolidated financial statements as of September 30, 2016

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

#### General information (continued)

##### Assistant General Managers:

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

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

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

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

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

The Bank's activities summarized from the section 3 of the articles of association are as follows.

The 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, 2016, the Bank has 964 branches operating in Turkey and 1 branch overseas (December 31, 2015 – 999 branches operating in Turkey, 1 branch in overseas).

As of September 30, 2016, the Bank has 18.545 employees (December 31, 2015 – 18.262 employees).

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



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**General information (continued)**

**VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods:**

According to Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the 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., Yapı Kredi Teknoloji 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 on Preparation of Consolidated Financial Statements of Banks since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

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

None.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See note I. of Section three)

## Yapı ve Kredi Bankası A.Ş.

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

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

#### Section Two

#### Unconsolidated financial statements

#### I. Balance sheet (Statement of Financial Position)

Assets	Note (Section Five)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	6.463.414	22.383.798	28.847.212	3.463.665	23.530.921	26.994.586
II. Financial assets at fair value through profit or (loss) (net)	I-b	909.109	484.170	1.393.279	1.537.120	232.190	1.769.310
2.1 Trading financial assets		909.109	484.170	1.393.279	1.537.120	232.190	1.769.310
2.1.1 Government debt securities		24.796	17.130	41.926	51.614	14.492	66.106
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading	I-c	884.313	467.040	1.351.353	1.485.506	217.698	1.703.204
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit/(loss)		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	I-ç	26.436	1.501.045	1.527.481	25.591	1.311.553	1.337.144
IV. Money markets		3.089.535	-	3.089.535	155.270	130.845	286.115
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from İMKB		88.858	-	88.858	155.270	130.845	286.115
4.3 Receivables from reverse repurchase agreements		3.000.677	-	3.000.677	-	-	-
V. Financial assets available-for-sale (net)	I-d,e	14.124.141	2.600.874	16.725.015	18.578.677	4.169.752	22.748.429
5.1 Share certificates		6.330	56.212	62.542	6.272	210.639	216.911
5.2 Government debt securities		13.397.999	1.294.661	14.692.660	17.759.935	2.620.248	20.380.183
5.3 Other marketable securities		719.812	1.250.001	1.969.813	812.470	1.338.865	2.151.335
VI. Loans and receivables	I-f	101.375.015	56.068.082	157.443.097	98.112.274	50.666.908	148.779.182
6.1 Loans and receivables		99.635.161	55.998.332	155.633.493	96.690.031	50.584.078	147.274.109
6.1.1 Loans to bank's risk group		1.365.737	351.004	1.716.741	1.579.808	88.851	1.668.659
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		98.269.424	55.647.328	153.916.752	95.110.223	50.495.227	145.605.450
6.2 Loans under follow-up		7.342.132	496.110	7.838.242	5.618.346	513.394	6.131.740
6.3 Specific provisions (-)		(5.602.278)	(426.360)	(6.028.638)	(4.196.103)	(430.564)	(4.626.667)
VII. Factoring receivables		-	-	-	-	-	-
VIII. Held-to-maturity investments (net)	I-g	3.959.591	4.864.791	8.824.382	1.920.297	4.469.335	6.389.632
8.1 Government debt securities		3.959.591	4.864.791	8.824.382	1.920.297	4.469.335	6.389.632
8.2 Other marketable securities		-	-	-	-	-	-
IX. Investments in associates (net)	I-ğ	4.503	380.291	384.794	4.503	338.140	342.643
9.1 Consolidated based on equity method		-	-	-	-	-	-
9.2 Unconsolidated		4.503	380.291	384.794	4.503	338.140	342.643
9.2.1 Investments in financial associates		-	380.291	380.291	-	338.140	338.140
9.2.2 Investments in non-financial associates		4.503	-	4.503	4.503	-	4.503
X. Subsidiaries (net)	I-h	2.387.218	1.555.107	3.942.325	2.233.990	1.387.746	3.621.736
10.1 Unconsolidated financial subsidiaries		2.379.918	1.555.107	3.935.025	2.226.690	1.387.746	3.614.436
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300	7.300	-	7.300
XI. Joint ventures (net)	I-ı	18.328	-	18.328	20.851	-	20.851
11.1 Accounted based on equity method		-	-	-	-	-	-
11.2 Unconsolidated		18.328	-	18.328	20.851	-	20.851
11.2.1 Financial joint ventures		18.328	-	18.328	20.851	-	20.851
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-i	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. Derivative financial assets held for hedging	I-j	476.469	2	476.471	948.859	6.268	955.127
13.1 Fair value hedge		140.070	-	140.070	251.230	-	251.230
13.2 Cash flow hedge		336.399	2	336.401	697.629	6.268	703.897
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	2.656.321	-	2.656.321	2.693.901	-	2.693.901
XV. Intangible assets (net)	I-l	1.491.265	-	1.491.265	1.489.434	-	1.489.434
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		511.772	-	511.772	509.941	-	509.941
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset		65.036	-	65.036	-	-	-
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		65.036	-	65.036	-	-	-
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	180.729	-	180.729	151.010	-	151.010
18.1 Held for sale purposes		180.729	-	180.729	151.010	-	151.010
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	1.821.407	2.280.109	4.101.516	1.388.350	1.401.970	2.790.320
<b>Total assets</b>		<b>139.048.517</b>	<b>92.118.269</b>	<b>231.166.786</b>	<b>132.723.792</b>	<b>87.645.628</b>	<b>220.369.420</b>

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See note I. of Section three)

## Yapı ve Kredi Bankası A.Ş.

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

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

#### I. Balance sheet (Statement of Financial Position)

Liabilities	Note (Section Five)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	77.338.908	58.295.340	135.634.248	67.190.566	59.718.327	126.908.893
1.1 Deposits of the Bank's risk group		10.114.930	10.573.918	20.688.848	7.510.140	8.171.531	15.681.671
1.2 Other		67.223.978	47.721.422	114.945.400	59.680.426	51.546.796	111.227.222
II. Derivative financial liabilities held for trading	II-b	744.681	490.729	1.235.410	1.622.210	231.296	1.853.506
III. Funds borrowed	II-c	558.247	24.228.050	24.786.297	653.865	22.961.865	23.615.730
IV. Money markets		6.806.024	2.394.904	9.200.928	10.129.554	2.165.386	12.294.940
4.1 Funds from interbank money market		-	-	-	1.887.563	-	1.887.563
4.2 Funds from IMKB		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		6.806.024	2.394.904	9.200.928	8.241.991	2.165.386	10.407.377
V. Marketable securities issued (net)	II-c	2.431.309	6.438.895	8.870.204	2.769.469	6.798.094	9.567.563
5.1 Bills		1.865.265	114.413	1.979.678	2.106.752	451.305	2.558.057
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		566.044	6.324.482	6.890.526	662.717	6.346.789	7.009.506
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		8.749.009	1.557.057	10.306.066	7.871.009	1.267.139	9.138.148
VIII. Other liabilities	II-ç	2.650.726	381.415	3.032.141	1.787.460	890.731	2.678.191
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables (net)	II-d	-	1.430	1.430	-	-	-
10.1 Financial lease payables		-	1.482	1.482	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	(32)	(32)	-	-	-
XI. Derivative financial liabilities held for hedging	II-e	365.590	236.526	602.216	38.814	108.660	147.474
11.1 Fair value hedge		20.728	-	20.728	3.427	-	3.427
11.2 Cash flow hedge		344.862	236.626	581.488	35.387	108.660	144.047
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-f	3.107.289	1.156.653	4.263.942	2.866.013	985.521	3.851.534
12.1 General loan loss provision		1.807.152	1.061.664	2.868.816	1.658.831	913.159	2.571.990
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		272.234	-	272.234	268.166	-	268.166
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		1.027.903	94.989	1.122.892	939.016	72.362	1.011.378
XIII. Tax liability	II-g	484.516	-	484.516	594.239	-	594.239
13.1 Current tax liability		484.516	-	484.516	480.305	-	480.305
13.2 Deferred tax liability		-	-	-	113.934	-	113.934
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)	II-ğ	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	II-h	-	7.728.089	7.728.089	-	6.635.191	6.635.191
XVI. Shareholders' equity	II-ı	24.048.199	973.100	25.021.299	21.783.645	1.300.366	23.084.011
16.1 Paid-in capital		4.347.051	-	4.347.051	4.347.051	-	4.347.051
16.2 Capital reserves		3.579.190	973.100	4.552.290	3.674.694	1.300.366	4.975.060
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		672.655	1.196.424	1.869.079	225.727	1.335.232	1.560.959
16.2.4 Property and equipment revaluation differences		1.449.056	-	1.449.056	1.449.056	-	1.449.056
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		15.165	-	15.165	15.107	-	15.107
16.2.8 Hedging funds (effective portion)		(297.133)	(223.324)	(520.457)	248.217	(34.866)	213.351
16.2.9 Value Increase in assets held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		1.195.566	-	1.195.566	1.192.706	-	1.192.706
16.3 Profit reserves		13.759.139	-	13.759.139	11.901.355	-	11.901.355
16.3.1 Legal reserves		844.539	-	844.539	751.512	-	751.512
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		12.913.149	-	12.913.149	11.148.251	-	11.148.251
16.3.4 Other profit reserves		1.451	-	1.451	1.592	-	1.592
16.4 Income or (loss)		2.362.819	-	2.362.819	1.860.545	-	1.860.545
16.4.1 Prior years' income or (loss)		-	-	-	-	-	-
16.4.2 Current year income or (loss)		2.362.819	-	2.362.819	1.860.545	-	1.860.545
<b>Total liabilities</b>		<b>127.284.498</b>	<b>103.882.288</b>	<b>231.166.786</b>	<b>117.306.844</b>	<b>103.062.676</b>	<b>220.369.420</b>

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**  
**Unconsolidated financial statements as of September 30, 2016 and December 31, 2015**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**II. Off-balance sheet commitments**

	Note (Section Five)	Current Period (30/09/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
<b>A. Off-balance sheet commitments (I+II+III)</b>							
<b>I. Guarantees and warranties</b>							
III-a-2,3		146.955.450	192.647.995	339.603.445	158.883.297	208.595.077	367.478.374
1.1 Letters of guarantee		20.764.865	28.484.027	49.258.892	18.031.694	26.932.137	44.963.731
1.1.1 Guarantees subject to state tender law		473.644	1.093.187	1.476.831	522.480	1.134.886	1.657.366
1.1.2 Guarantees given for foreign trade operations		2.719.205	27.490.840	30.210.045	2.329.832	25.797.251	28.127.083
1.1.3 Other letters of guarantee		17.572.016	-	17.572.016	15.179.292	-	15.179.292
1.2 Bank acceptances		-	175.571	175.571	-	173.524	173.524
1.2.1 Import letter of acceptance		-	175.571	175.571	-	173.524	173.524
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		1.672	7.769.818	7.771.490	11.483	7.636.526	7.648.009
1.3.1 Documentary letters of credit		1.672	7.769.818	7.771.490	11.483	7.636.526	7.648.009
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		35.146	1.482.744	1.517.890	33.446	1.430.529	1.463.975
1.9 Other warranties		-	3.856.816	3.856.816	-	2.791.832	2.791.832
<b>II. Commitments</b>	III-a-1	51.821.209	25.189.336	77.010.545	60.273.748	26.213.733	86.487.481
2.1 Irrevocable commitments		51.427.569	15.417.070	66.844.639	59.611.290	19.308.760	78.920.040
2.1.1 Asset purchase and sale commitments		3.682.418	14.517.290	18.199.708	13.018.015	17.850.212	30.868.836
2.1.2 Deposit purchase and sales commitments		5.145	946	6.091	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		7.447.979	750.865	8.198.844	7.816.459	1.268.554	9.085.013
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		6.652.329	-	6.652.329	6.521.085	-	6.521.085
2.1.8 Tax and fund liabilities from export commitments		6.656	-	6.656	6.376	-	6.376
2.1.9 Commitments for credit card limits		29.311.973	-	29.311.973	28.304.464	-	28.304.464
2.1.10 Commitments for credit cards and banking services promotions		19.234	-	19.234	13.810	-	13.810
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		4.301.835	147.969	4.449.804	3.931.081	189.375	4.120.456
2.2 Revocable commitments		393.640	9.772.266	10.165.906	662.458	6.904.983	7.567.441
2.2.1 Revocable loan granting commitments		393.640	9.772.266	10.165.906	662.458	6.904.983	7.567.441
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. Derivative financial instruments</b>	III-b-c	74.332.558	125.679.683	200.012.241	80.533.026	143.406.796	223.939.822
3.1 Derivative financial instruments for hedging purposes		30.549.741	16.508.997	47.058.738	27.699.936	30.810.144	58.509.080
3.1.1 Transactions for fair value hedge		422.791	500.217	1.003.008	571.986	823.018	1.395.004
3.1.2 Transactions for cash flow hedge		30.126.950	15.928.780	46.055.730	27.126.950	29.987.126	57.114.076
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		43.782.817	109.170.686	152.953.503	52.834.090	112.596.652	165.430.742
3.2.1 Forward foreign currency buy/sell transactions		5.113.675	7.518.068	12.631.743	3.482.444	6.095.245	9.577.689
3.2.1.1 Forward foreign currency transactions-buy		1.950.816	4.240.719	6.191.535	1.038.783	3.677.607	4.716.390
3.2.1.2 Forward foreign currency transactions-sell		3.162.859	3.277.349	6.440.208	2.443.661	2.417.638	4.861.299
3.2.2 Swap transactions related to foreign currency and interest rates		25.419.433	77.115.411	103.534.844	39.264.411	87.202.512	125.466.923
3.2.2.1 Foreign currency swap-buy		7.102.310	23.819.908	30.922.218	8.559.166	36.806.078	45.365.244
3.2.2.2 Foreign currency swap-sell		16.387.123	14.409.187	30.796.310	29.705.245	16.146.254	45.851.499
3.2.2.3 Interest rate swap-buy		1.465.000	19.443.158	20.908.158	-	17.125.090	17.125.090
3.2.2.4 Interest rate swap-sell		1.465.000	19.443.158	20.908.158	-	17.125.090	17.125.090
3.2.3 Foreign currency, interest rate and securities options		6.615.580	12.139.859	18.755.439	6.682.132	8.561.247	15.243.379
3.2.3.1 Foreign currency options-buy		2.627.727	5.591.293	8.219.020	1.973.220	4.682.492	6.655.712
3.2.3.2 Foreign currency options-sell		3.767.853	4.622.260	8.400.113	3.208.912	3.501.087	6.709.999
3.2.3.3 Interest rate options-buy		110.000	958.153	1.068.153	750.000	188.834	938.834
3.2.3.4 Interest rate options-sell		110.000	958.153	1.068.153	750.000	188.834	938.834
3.2.3.5 Securities options-buy		-	-	-	-	-	-
3.2.3.6 Securities options-sell		-	-	-	-	-	-
3.2.4 Foreign currency futures		-	-	-	-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		5.634.129	12.397.348	18.031.477	4.405.103	10.737.648	15.142.751
<b>B. Custody and pledges received (IV+V+VI)</b>		449.226.542	226.182.527	675.409.069	242.982.083	65.545.734	308.527.817
<b>IV. Items held in custody</b>		261.981.696	157.795.903	419.777.799	76.584.370	7.734.979	84.299.349
4.1 Customer fund and portfolio balances		-	-	-	-	-	-
4.2 Investment securities held in custody		244.187.380	157.141.311	401.328.691	57.175.411	6.775.452	63.950.863
4.3 Checks received for collection		14.201.543	107.694	14.309.237	15.576.521	145.317	15.721.838
4.4 Commercial notes received for collection		3.551.198	504.627	4.055.825	3.770.663	774.018	4.544.681
4.5 Other assets received for collection		-	35.959	35.959	-	34.137	34.137
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		41.775	6.312	48.087	41.775	6.055	47.830
4.8 Custodians		-	-	-	-	-	-
<b>V. Pledges received</b>		183.291.293	67.630.383	250.921.676	162.367.478	57.056.576	219.424.054
5.1 Marketable securities		183.779	332	184.111	185.826	322	186.148
5.2 Guarantee notes		1.054.650	233.239	1.287.889	1.063.319	271.797	1.335.116
5.3 Commodity		27.902	-	27.902	21.095	-	21.095
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		98.767.624	58.322.672	157.090.296	88.195.061	45.270.237	133.465.298
5.6 Other pledged items		83.257.336	9.068.776	92.326.114	72.902.177	11.509.026	84.411.203
5.7 Pledged items-depository		-	5.365	5.365	-	5.194	5.194
<b>VI. Accepted independent guarantees and warranties</b>		3.953.353	756.241	4.709.594	4.030.235	754.179	4.784.414
<b>Total off-balance sheet commitments (A+B)</b>		596.181.992	418.830.522	1.015.012.514	401.845.380	274.130.811	675.976.191

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

## Yapı ve Kredi Bankası A.Ş.

### Unconsolidated financial statements as of September 30, 2016 and 2015

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

#### III. Income statement

Income and expense items	Note (Section Five)	Current Period (01/01/2016 30/09/2016)	Prior Period (01/01/2015 30/09/2015)
<b>I. Interest income</b>	<b>IV-a</b>	<b>13.217.462</b>	<b>11.055.789</b>
1.1 Interest on loans	IV-a-1	11.262.280	9.337.754
1.2 Interest received from reserve deposits		85.936	24.563
1.3 Interest received from banks	IV-a-2	34.506	25.998
1.4 Interest received from money market transactions		10.139	32.469
1.5 Interest received from marketable securities portfolio	IV-a-3	1.822.487	1.634.238
1.5.1 Trading financial assets		4.595	8.491
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		1.296.202	1.328.566
1.5.4 Held to maturity investments		521.690	297.181
1.6 Financial lease income		-	-
1.7 Other interest income		2.114	767
<b>II. Interest expense</b>	<b>IV-b</b>	<b>(7.558.602)</b>	<b>(6.178.888)</b>
2.1 Interest on deposits	IV-b-4	(5.847.192)	(4.583.731)
2.2 Interest on funds borrowed	IV-b-1	(700.970)	(669.872)
2.3 Interest expense on money market transactions		(559.213)	(431.556)
2.4 Interest on securities issued	IV-b-3	(441.744)	(482.258)
2.5 Other interest expenses		(9.483)	(11.471)
<b>III. Net interest income (I + II)</b>		<b>5.658.860</b>	<b>4.876.901</b>
<b>IV. Net fees and commissions income</b>		<b>2.130.335</b>	<b>1.911.111</b>
4.1 Fees and commissions received		2.689.235	2.433.187
4.1.1 Non-cash loans		352.126	292.354
4.1.2 Other	IV-i	2.337.109	2.140.833
4.2 Fees and commissions paid		(558.900)	(522.076)
4.2.1 Non-cash loans		(102)	(385)
4.2.2 Other		(558.798)	(521.691)
<b>V. Dividend income</b>	<b>IV-c</b>	<b>1</b>	<b>2.971</b>
<b>VI. Trading gain/(loss) (net)</b>	<b>IV-ç</b>	<b>72.505</b>	<b>(649.312)</b>
6.1 Trading gains/(losses) on securities		46.548	168.182
6.2 Derivative financial transactions gains/(losses)		(832.191)	1.606.958
6.3 Foreign exchange gains/(losses)		858.148	(2.424.452)
<b>VII. Other operating income</b>	<b>IV-d</b>	<b>478.092</b>	<b>505.524</b>
<b>VIII. Total operating income (III+IV+V+VI+VII)</b>		<b>8.339.793</b>	<b>6.647.195</b>
<b>IX. Provision for impairment of loans and other receivables (-)</b>	<b>IV-e</b>	<b>(1.994.254)</b>	<b>(1.866.772)</b>
<b>X. Other operating expenses (-)</b>	<b>IV-f</b>	<b>(3.767.624)</b>	<b>(3.465.806)</b>
<b>XI. Net operating income/(loss) (VIII-IX-X)</b>		<b>2.577.915</b>	<b>1.314.617</b>
<b>XII. Excess amount recorded as income after merger</b>		<b>-</b>	<b>-</b>
<b>XIII. Income/(loss) from investments accounted based on equity method</b>		<b>348.120</b>	<b>278.119</b>
<b>XIV. Income/(loss) on net monetary position</b>		<b>-</b>	<b>-</b>
<b>XV. Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)</b>	<b>IV-g</b>	<b>2.926.035</b>	<b>1.592.736</b>
<b>XVI. Tax provision for continuing operations (±)</b>	<b>IV-ğ</b>	<b>(563.216)</b>	<b>(367.194)</b>
16.1 Current tax provision		(637.360)	-
16.2 Deferred tax provision		74.144	(367.194)
<b>XVII. Net profit/loss from continuing operations (XV±XVI)</b>		<b>2.362.819</b>	<b>1.225.542</b>
<b>XVIII. Income from discontinued operations</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XIX. Expenses from discontinued operations (-)</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XX. Profit/losses before taxes from discontinued operations (XVIII-XIX)</b>	<b>IV-g</b>	<b>-</b>	<b>-</b>
<b>XXI. Tax provision for discontinued operations (±)</b>	<b>IV-ğ</b>	<b>-</b>	<b>-</b>
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. Net profit/loss from discontinued operations (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. Net profit/loss (XVII+XXII)</b>	<b>IV-h</b>	<b>2.362.819</b>	<b>1.225.542</b>
Earnings/(loss) per share (full TL)		0,0054	0,0028

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



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

## Yapı ve Kredi Bankası A.Ş.

### Unconsolidated financial statements as of September 30, 2016 and 2015

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

#### III. Income statement

Income and expense items		Note (Section Five)	Current Period (01/07/2016 30/09/2016)	Prior Period (01/07/2015 30/09/2015)
<b>I.</b>	<b>Interest income</b>	<b>IV-a</b>	<b>4.533.712</b>	<b>3.901.175</b>
1.1	Interest on loans	IV-a-1	3.850.355	3.388.410
1.2	Interest received from reserve deposits		27.045	13.589
1.3	Interest received from banks	IV-a-2	16.082	5.196
1.4	Interest received from money market transactions		5.867	5.526
1.5	Interest received from marketable securities portfolio	IV-a-3	634.205	488.374
1.5.1	Trading financial assets		1.111	3.776
1.5.2	Financial assets at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		360.056	385.026
1.5.4	Held to maturity investments		273.038	99.572
1.6	Financial lease income		-	-
1.7	Other interest income		158	80
<b>II.</b>	<b>Interest expense</b>	<b>IV-b</b>	<b>(2.468.542)</b>	<b>(2.196.773)</b>
2.1	Interest on deposits	IV-b-4	(1.919.355)	(1.606.367)
2.2	Interest on funds borrowed	IV-b-1	(245.154)	(242.333)
2.3	Interest expense on money market transactions		(160.235)	(173.726)
2.4	Interest on securities issued	IV-b-3	(141.549)	(173.938)
2.5	Other interest expenses		(2.249)	(409)
<b>III.</b>	<b>Net interest income (I + II)</b>		<b>2.065.170</b>	<b>1.704.402</b>
<b>IV.</b>	<b>Net fees and commissions income</b>		<b>670.630</b>	<b>666.996</b>
4.1	Fees and commissions received		872.465	862.118
4.1.1	Non-cash loans		117.395	103.806
4.1.2	Other	VI-i	755.070	758.312
4.2	Fees and commissions paid		(201.835)	(195.122)
4.2.1	Non-cash loans		(27)	(120)
4.2.2	Other		(201.808)	(195.002)
<b>V.</b>	<b>Dividend income</b>	<b>IV-c</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>Trading gain/(loss) (net)</b>	<b>IV-ç</b>	<b>30.038</b>	<b>(341.667)</b>
6.1	Trading gains/(losses) on securities		(5.947)	(851)
6.2	Derivative financial transactions gains/(losses)		66.788	1.655.424
6.3	Foreign exchange gains/(losses)		(30.803)	(1.996.240)
<b>VII.</b>	<b>Other operating income</b>	<b>IV-d</b>	<b>39.506</b>	<b>100.871</b>
<b>VIII.</b>	<b>Total operating income (III+IV+V+VI+VII)</b>		<b>2.805.344</b>	<b>2.130.602</b>
<b>IX.</b>	<b>Provision for impairment of loans and other receivables (-)</b>	<b>IV-e</b>	<b>(625.900)</b>	<b>(620.877)</b>
<b>X.</b>	<b>Other operating expenses (-)</b>	<b>IV-f</b>	<b>(1.310.173)</b>	<b>(1.183.350)</b>
<b>XI.</b>	<b>Net operating income/(loss) (VIII-IX-X)</b>		<b>869.271</b>	<b>326.375</b>
<b>XII.</b>	<b>Excess amount recorded as income after merger</b>		<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>Income/(loss) from investments accounted based on equity method</b>		<b>127.543</b>	<b>100.586</b>
<b>XIV.</b>	<b>Income/(loss) on net monetary position</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)</b>	<b>IV-g</b>	<b>996.814</b>	<b>426.961</b>
<b>XVI.</b>	<b>Tax provision for continuing operations (±)</b>	<b>IV-ğ</b>	<b>(186.133)</b>	<b>(109.255)</b>
16.1	Current tax provision		(195.578)	141.254
16.2	Deferred tax provision		9.445	(250.509)
<b>XVII.</b>	<b>Net profit/loss from continuing operations (XV±XVI)</b>		<b>810.681</b>	<b>317.706</b>
<b>XVIII.</b>	<b>Income from discontinued operations</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XIX.</b>	<b>Expenses from discontinued operations (-)</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XX.</b>	<b>Profit/losses before taxes from discontinued operations (XVIII-XIX)</b>	<b>IV-g</b>	<b>-</b>	<b>-</b>
<b>XXI.</b>	<b>Tax provision for discontinued operations (±)</b>	<b>IV-ğ</b>	<b>-</b>	<b>-</b>
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>Net profit/loss from discontinued operations (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>Net profit/loss (XVII+XXII)</b>	<b>IV-h</b>	<b>810.681</b>	<b>317.706</b>
	Earnings/(loss) per share (full TL)		0,0019	0,0007

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Unconsolidated financial statements as of September 30, 2016 and 2015**

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

**IV. Statement of income and expense items accounted under shareholders' equity**

		Current Period	Prior Period
Income and expense items accounted under shareholders' equity		(30/09/2016)	(30/09/2015)
I.	Transfers to marketable securities valuation differences from financial assets available for sale	261.412	(1.715.633)
II.	Property and equipment revaluation differences	-	1.489.543
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	14.331	22.277
V.	Profit/loss on cash flow hedges (effective part of the fair value changes)	(849.064)	840.279
VI.	Profit/loss on foreign net investment hedges (effective part of the fair value changes)	(67.627)	(154.361)
VII.	Effects of changes in accounting policy and adjustment of errors	-	-
VIII.	Other income and expense items accounted under shareholders' equity according to TAS	110.591	325.500
IX.	Deferred tax on valuation differences	104.826	126.914
X.	Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	(425.531)	934.519
XI.	Current year profit/loss	2.362.819	1.225.542
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	249.064	176.166
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	(2.398)	(98.118)
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4	Other	2.116.153	1.147.494
XII.	<b>Total income/loss accounted for the period (X+XI)</b>	<b>1.937.288</b>	<b>2.160.061</b>

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

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

**V. Statement of changes in shareholders' equity**

Prior Period	September 30, 2015	Note (Section five)	Paid-in capital	Adjustment to share capital premium	Share cancellation premium	Share profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period income/(loss)	Marketable securities Value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
	4.347.051		4.347.051	-	543.881	-	641.000	-	9.815.284	1.174.234	2.056.511	-	1.903.155	18.485	15.107	(297.009)	-	20.217.699
I. Period opening balance																		
II. Changes in accounting policies according to TAS 8																		
2.1 Effects of errors																		
2.2 Effects of the changes in accounting policies																		
III. New balance (I-II)	4.347.051		4.347.051	-	543.881	-	641.000	-	9.815.284	1.174.234	2.056.511	-	1.903.155	18.485	15.107	(297.009)	-	20.217.699
IV. Changes in the period																		
V. Increase/decrease due to merger																		
VI. Marketable securities valuation differences													(1.372.506)					(1.372.506)
VI. Hedging transactions (effective portion)																548.735		548.735
6.1 Cash flow hedge																672.224		672.224
6.2 Foreign net investment hedge																(123.489)		(123.489)
VII. Property and equipment revaluation differences														1.415.066				1,415,066
VIII. Intangible assets revaluation differences																		
IX. Bonus shares from investments in associates, subsidiaries and joint ventures																		
X. Foreign exchange differences																		
XI. Changes due to the disposal of assets													56.623			(39.602)		17.821
XII. Changes due to the reclassification of assets																		
XIII. Effect of the changes in equity of investment in associates																		
XIV. Capital increase																		
14.1 Cash increase																		
14.2 Internal resources																		
XV. Share premium																		
XVI. Share cancellation profits																		
XVII. Paid in-capital inflation adjustment difference																		
XVIII. Other																		
XIX. Current year income or loss										616	(211.545)							616
XX. Profit distribution										1.487	1,225,542							1,225,542
20.1 Dividend paid							110.512		1,332,967	1,487	(1,844,966)							(400,000)
20.2 Transfers to reserves							110.512		1,332,967	1,487	(1,444,966)							(400,000)
20.3 Other																		
Period end balance (III+IV+V+.....+XVII+XIX+XX)	4.347.051		4.347.051	-	543.881	-	751.512	-	11,148,251	1,176,337	1,225,542	-	1,123,604	1,430,651	15,107	212,924	-	21,977,760

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

**GÜNEY**

BAĞIMSIZ DENETİM VE

SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Maslak Mah. Etiler Beldiye Cad. No:27

Beşiktaş / İstanbul

Ticaret Sicil No: 279920

Mersis No: 0-4350-3032-5000017

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**  
**Unconsolidated statement of changes in shareholders' equity as of September 30, 2016**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**V. Statement of changes in shareholders' equity**

Current Period	Note (Section five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellation	Share profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Prior period net income/(loss)	Marketable securities value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
September 30, 2016		4,347,051	-	543,881	-	751,512	-	11,148,251	1,194,298	1,860,545	-	1,560,959	1,449,056	15,107	213,351	-	23,084,011	
I.	Period opening balance																	
II.	Changes in the period																	
	Increase/decrease due to the merger																	
III.	Marketable securities valuation differences												185,744					185,744
IV.	Hedging transactions (effective portion)																	(733,353)
4.1	Cash flow hedge																	(679,251)
4.2	Foreign net investment hedge																	(54,102)
V.	Property and equipment revaluation differences																	
VI.	Intangible assets revaluation differences																	
VII.	Bonus shares from investments in associates, subsidiaries and joint ventures																	
VIII.	Foreign exchange differences																	58
IX.	Changes due to the disposal of assets												11,821					11,821
X.	Changes due to the reclassification of assets																	(455)
XI.	Effect of the changes in equity of investment in associates																	
XII.	Capital increase																	110,455
12.1	Cash increase																	
12.2	Internal resources																	
XIII.	Share premium																	
XIV.	Share cancellation profits																	
XV.	Paid in-capital inflation adjustment difference																	
XVI.	Other																	99
XVII.	Current year income or loss																	2,362,819
XVIII.	Profit distribution																	(1,860,545)
18.1	Dividend paid																	
18.2	Transfers to reserves																	
18.3	Other																	
	Period end balance (I+II+III+...+XVI+XVII+XVIII)	4,347,051	-	543,881	-	844,539	-	12,913,149	1,197,017	2,362,819	-	1,969,079	1,449,056	15,165	(520,457)	-	25,021,299	

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Unconsolidated financial statements as of September 30, 2016 and 2015**

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

**VI. Statement of cash flows**

	Notes (Section Five)	Current Period (30/09/2016)	Prior Period (30/09/2015)
<b>A. Cash flows from banking operations</b>			
1.1 Operating profit before changes in operating assets and liabilities		4.255.448	42.166
1.1.1 Interest received		12.401.837	10.597.313
1.1.2 Interest paid		(7.326.908)	(6.058.595)
1.1.3 Dividend received		98.361	114.201
1.1.4 Fees and commissions received		2.689.235	2.433.187
1.1.5 Other income		265.888	1.220.328
1.1.6 Collections from previously written-off loans and other receivables		764.029	861.521
1.1.7 Payments to personnel and service suppliers		(3.180.108)	(2.815.875)
1.1.8 Taxes paid		(790.463)	(283.789)
1.1.9 Other		(666.423)	(6.026.125)
1.2 Changes in operating assets and liabilities		(6.018.900)	9.566.580
1.2.1 Net (increase)/decrease in trading securities		23.772	(36.796)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(1.348.820)	(4.502.842)
1.2.4 Net (increase)/decrease in loans		(10.633.702)	(28.548.673)
1.2.5 Net (increase)/decrease in other assets		(1.275.947)	(1.303.114)
1.2.6 Net increase /(decrease) in bank deposits		(1.671.719)	899.711
1.2.7 Net increase /(decrease) in other deposits		10.175.502	26.505.433
1.2.8 Net increase /(decrease) in funds borrowed		(1.816.031)	14.336.332
1.2.9 Net increase /(decrease) in payables		-	-
1.2.10 Net increase /(decrease) in other liabilities		528.045	2.216.529
<b>I. Net cash flows from banking operations</b>		<b>(1.763.452)</b>	<b>9.608.746</b>
<b>B. Cash flows from investing activities</b>			
<b>II. Net cash flows from investing activities</b>		<b>5.894.080</b>	<b>(6.652.575)</b>
2.1 Cash paid for acquisition of investments in associates, subsidiaries and joint ventures		-	(9.799)
2.2 Cash obtained from disposal of investments in associates, subsidiaries and joint ventures		-	-
2.3 Purchases of property and equipment		(245.961)	(672.245)
2.4 Disposals of property and equipment		55.375	37.934
2.5 Purchase of investments available-for-sale		(9.322.932)	(21.093.244)
2.6 Sale of investments available-for-sale		15.749.429	15.272.218
2.7 Purchase of investment securities		(341.897)	(187.495)
2.8 Sale of investment securities		66	56
2.9 Other		-	-
<b>C. Cash flows from financing activities</b>			
<b>III. Net cash flows from financing activities</b>		<b>(810.990)</b>	<b>877.486</b>
3.1 Cash obtained from funds borrowed and securities issued		7.830.117	4.891.892
3.2 Cash used for repayment of funds borrowed and securities issued		(8.639.819)	(3.613.403)
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	(400.000)
3.5 Payments for finance leases		(1.288)	(1.003)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rates on cash and cash equivalents</b>		<b>169.620</b>	<b>1.551.442</b>
<b>V. Net increase in cash and cash equivalents (I+II+III+IV)</b>		<b>3.489.258</b>	<b>5.385.099</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>		<b>8.319.936</b>	<b>9.201.195</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>VI</b>	<b>11.809.194</b>	<b>14.586.294</b>

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



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

### Section Three

#### Accounting policies

##### I. Explanations on basis of presentation:

The 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 unconsolidated 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 accompanying unconsolidated 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, investments in associates and subsidiaries measured at fair value, trading derivative financial liabilities, hedging derivative financial assets/liabilities and art objects and paintings in tangible assets. Besides, the carrying values of assets carried at amortised cost but subject to fair value hedge are adjusted to reflect the fair value changes related to the hedged risks.

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

The accounting policies and valuation principles applied in the preparation of financial statements are defined and applied in accordance with TAS and are consistent with the accounting policies applied for the year ended December 31, 2015.

The effects of TFRS 9, "Financial Instruments" (2011 version, classification and measurement) which has not been implemented yet, are under evaluation by the Bank. The standard which the Bank did not early adopt will primarily have an effect on the classification and measurement of the Bank's financial assets. The Bank is currently assessing the impact of adopting TFRS 9. However, as the impact of adoption depends on the assets held by the Bank 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 Bank's accounting policies, financial position and performance.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

## **Accounting policies (continued)**

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

The general strategy of the Bank 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 Bank is deposits. The Bank is also sustaining a lengthened liability structure by using long-term foreign and local currency borrowings from domestic and international investors and 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 Bank and the related legal limits. Derivative instruments are mainly utilized for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities 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 exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognized 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. Since the foreign currency investments and subsidiaries are considered as non-monetary items, they are translated with the exchange rates at the date when the fair values are remeasured and are accounted under shareholders equity. Foreign currency non-performing loans are translated with the exchange rates at the date of transfer to non-performing loans accounts.

The Bank hedges foreign currency exposure arising from carrying its foreign subsidiaries at equity method, with financial liabilities in foreign currency and applies net investment hedge accounting. The effective portions of the change in fair value in financial liabilities in foreign currency are recorded under "Hedging funds" in equity.

Bank, upon initial recognition, classifies its financial liabilities as fair value of financial liabilities value through profit / loss in order to eliminate the recognition inconsistency.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Accounting policies (continued)**

**III. Explanations on investments in associates, subsidiaries and joint ventures:**

Associates, subsidiaries and joint ventures are being carried at equity method in unconsolidated financial statements of the Bank started from June 30, 2015. Any valuation differences arising from prior years, before January 1, 2015, are booked as "marketable securities valuation differences" under the equity. In the following periods, any valuation differences arising from the current period income and other comprehensive income are booked in profit and loss statement and "marketable securities valuation differences" under the equity, respectively. This accounting policy change is performed through an early adaption before the effective date of January 1, 2016 in accordance with the change of "Standard on Stand-alone Financial Statement (TAS 27)" numbered 29321 on April 9, 2015 and confirmation by BRSA's letter numbered 10686 on July 14, 2015.

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

The Bank's derivative transactions mostly include 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 remeasured 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 applied to 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 Bank documents the relationship between hedging instruments and hedged items, together with the risk management policies and the strategies on hedging transactions. Besides, the Bank 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 transaction is reflected to the income statement. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item.

The 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.

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

### **Accounting policies (continued)**

"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 are determined by market risk management and the confirmation of the accuracy of fair value calculations are monitored periodically by market risk management.

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

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

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

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

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

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

Market risks of these products are monitored using the Bank's internal modelling 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, currency exchange transactions, which are 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.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

### **Accounting policies (continued)**

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 Turkish Accounting Standards, TAS 39, comprising the product of Exposure, Probability of Default (PD) and Loss Given Default (LGD). CVA is calculated based on the exposure of each counterparty.

#### **V. Explanations on interest income and expense:**

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

#### **VI. Explanations on fee and commission income and expenses:**

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

#### **VII. Explanations on financial assets:**

The Bank 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 Bank 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 Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

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

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

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV of this section.



**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Accounting policies (continued)**

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

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

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with TAS 39, sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to-maturity investments used for regulatory risk-based capital purposes will not result in tainting.

**c. Loans and receivables:**

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

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

The 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 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.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

### **Accounting policies (continued)**

#### **ç. 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 cannot be determined reliably, are carried at cost less any impairment. "Unrealized gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognized in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under UCA.

#### **VIII. Explanations on impairment of financial assets:**

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

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

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

#### **IX. Explanations on offsetting financial assets:**

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Accounting policies (continued)**

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

Securities subject to repurchase agreements ("Repos") are classified as "at fair value through profit or loss", "Available-for-sale" and "Held-to-maturity" according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under "Funds provided under repurchase agreements" in liabilities and the difference between the sale and repurchase price is accrued over the life of 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 Bank has no securities lending transactions.

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

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

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

A discontinued operation is a part of the Bank'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 unconsolidated financial statements as of September 30, 2016**

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

**Accounting policies (continued)**

**XII. Explanations on goodwill and other intangible assets:**

**a. Goodwill:**

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

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

**b. Other intangible assets:**

Other 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 Bank 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 Bank estimates a recoverable amount in accordance with the Turkish Accounting Standard (TAS 36) "Impairment of Assets". The recoverable amount is the higher of net sales price or the value in use. When the book value of another intangible asset exceeds the recoverable amount, the related asset is considered to be impaired. If there is no evidence of impairment, there is no need to estimate the recoverable amount.

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

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

**XIII. Explanations on property and equipment:**

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

The Bank adopted a fair value accounting method for its buildings as of March 31, 2015 in tangible assets in accordance with TAS 16.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Accounting policies (continued)**

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

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

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

In accordance with the Turkish Accounting Standard 36 (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 recognized as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

**XIV. Explanations on leasing transactions:**

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

**Financial lease**

The Bank 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 recognized. 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. The Bank does not perform financial leasing operations as "Lessor".

**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.



**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Accounting policies (continued)**

**XV. Explanations on provisions, contingent liabilities:**

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

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

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

**XVI. Explanations on obligations related to employee rights:**

**a. Employee termination benefits**

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

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

**b. Pension rights**

The 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 23 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.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

### **Accounting policies (continued)**

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

#### **c. Short term benefits of employee:**

Within the scope of TAS 19, the Bank 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.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

## **XVII. Explanations on taxation:**

### **a. Current tax:**

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

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.

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.

### **b. Deferred tax:**

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and in accordance with BRSA's explanations and circulars and the tax legislation, the Bank 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 utilized.

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.

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Accounting policies (continued)**

**c. Transfer pricing:**

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

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

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

**XVIII. Explanations on borrowings:**

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at "amortised cost" including costs of transactions using the "effective interest method".

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

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

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

**XIX. Explanations on issuance of share certificates:**

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

No dividend payments were announced after the balance sheet date.

**XX. Explanations on avalized drafts and letter of acceptances:**

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

**XXI. Explanations on government grants:**

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Accounting policies (continued)**

**XXII. Profit reserves and profit distribution:**

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

**XXIII. Earnings per share:**

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

	<b>Current Period</b>	<b>Prior Period</b>
Net income/(loss) from continuing operations to be appropriated to ordinary shareholders	2.362.819	1.225.542
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
<b>Earnings per share from continued operations (full TL)</b>	<b>0,0054</b>	<b>0,0028</b>

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 as of 2016 (2015 - None).

**XXIV. Related parties:**

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

**XXV. Explanations on operating segments:**

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

**XXVI. Explanations on other matters:**

None.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Section Four**

**Information related to financial position of the Bank**

**I. Explanations on equity:**

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 capital adequacy ratio of the Bank is 14,99% (December 31, 2015 – 13,81%).

**a. Information on equity:**

	Current Period	Amounts subject to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-up Capital	4.347.051	
Share issue premiums	543.881	
Retained earnings	13.759.139	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	4.585.174	
Profit	2.362.819	
Net profit of the period	2.362.819	
Profit of the previous years	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	15.165	
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>25.613.229</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Prudential valuation adjustments	29.747	
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	180.188	
Improvement costs for operating leasing	107.008	
Goodwill (net of related tax liability)	587.696	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	287.130	478.550
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Cash-flow hedge reserve	-	
Shortfall of provisions to expected losses	-	
Securitisation gain on sale	-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Investments in own shares	-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage servicing rights (amount above 10% threshold)	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding the 15% threshold (-) 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	398.619	
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	-	
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>1.590.388</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>24.022.841</b>	

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

	Current Period	Amounts subject to treatment before 1/1/2014 <sup>(1)</sup>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
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)	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	-	-
<b>Additional Tier 1 capital: regulatory adjustments</b>		
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	-	-
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	583.217	-
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	-	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	-
<b>Total Additional Tier 1 capital</b>	-	-
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>23.439.624</b>	-
<b>TIER 2 CAPITAL</b>		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	4.658.625	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	1.066.560	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.438.382	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>8.163.567</b>	-
<b>Tier 2 capital: regulatory adjustments</b>		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	99.779	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>99.779</b>	-
<b>Total Tier 2 capital</b>	<b>8.063.788</b>	-
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>31.355.345</b>	-
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	6.152	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	11.547	-
National specific regulatory adjustments which shall be determined by the BRSA	130.368	-
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

<b>OWN FUNDS</b>	<b>Current Period</b>
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	31.355.345
Total Risk Weighted Assets	209.137.431
<b>CAPITAL ADEQUACY RATIOS</b>	
Common Equity Tier 1 Capital Adequacy Ratio (%)	11,49
Tier 1 Capital Adequacy Ratio (%)	11,21
Capital Adequacy Ratio (%)	14,99
<b>BUFFERS</b>	
Institution specific buffer requirement of the Bank	5,507
Capital conservation buffer requirement (%)	0,625
Bank's specific countercyclical buffer requirement (%)	0,007
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 (%)	5,502
<b>Amounts below the thresholds for deduction (before risk weighting)</b>	
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)	870.847
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.868.816
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.438.382
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

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



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

	<b>Prior Period</b>
<b>Common Equity Tier 1 Capital</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	4.347.051
Share premium	543.881
Share Cancellation Profits	-
Legal reserves	11.901.355
Other Comprehensive Income according to TAS	4.468.833
Profit	1.860.545
Net current period profit	1.860.545
Prior period profit	-
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	15.107
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>23.136.772</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	320.726
Leasehold Improvements on Operational Leases (-)	134.499
Goodwill and Intangible assets and related deferred tax liabilities (-)	583.999
Net Deferred tax assets / liabilities (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Amount exceeding the 15% 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 own 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 (-)	-
Other items to be defined by the regulator (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	358.991
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>1.398.215</b>
<b>Common Equity Tier 1 capital</b>	<b>21.738.557</b>
<b>Additional Tier 1 capital instruments</b>	
Privileged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Additional Tier 1 capital before regulatory adjustments	-
<b>Additional Tier 1 capital: regulatory adjustments</b>	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the regulator (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>
<b>Additional Tier 1 capital</b>	<b>-</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

	Prior Period
<b>Regulatory adjustments to Common Equity</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	875.998
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
<b>Tier 1 capital</b>	<b>20.862.559</b>
<b>Tier 2 capital</b>	
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained before 1.1.2014)	5.224.563
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-
<b>Generic Provisions</b>	<b>2.358.769</b>
<b>Tier 2 capital before regulatory adjustments</b>	<b>7.583.332</b>
<b>Tier 2 capital: regulatory adjustments</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the regulator (-)	-
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>-</b>
<b>Tier 2 capital</b>	<b>7.583.332</b>
<b>Total capital</b>	<b>28.445.891</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	6.445
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	11.345
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	149.667
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be defined by the regulator (-)	280.437
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>Shareholders' equity</b>	<b>27.997.997</b>
<b>Amounts below the thresholds for deduction</b>	<b>922.860</b>
Remaining Total of Net Long Positions of the Investments in Own Fund Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital	-
Remaining total of net long positions of the investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank owns more than 10% or less of the Tier I Capital	-
Remaining mortgage servicing rights	-
Net deferred tax assets arising from temporary differences	922.860

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

**b. Details on Subordinated Liabilities<sup>(1)</sup>:**

	1	2	3	4
Issuer	UNICREDIT BANK	UNICREDIT BANK	Yapı ve Kredi Bankası A.Ş. XS0861079440/ US984848AB73	Yapı ve Kredi Bankası A.Ş. XS1376681067
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law / Turkish Law
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	English Law	English Law / Turkish Law
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)	1.753	1.408	1.067	1.498
Par value of instrument	1.753	1.408	2.996	1.498
Accounting classification	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 6, 2012	March 1, 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	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	-	After 5th year
Fixed or floating dividend/coupon	Coupons / dividends	Coupons / dividends	Coupons / dividends	Coupons / dividends
Coupon rate and any related index	Fixed 5,7%	Fixed 6,55%	Fixed 5,5%	Fixed 6,63%
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	(5 Year MidSwap+740 basis points, 5,5% coupon) 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
If convertible, conversion trigger(s)	Convertible or non-convertible	Convertible or non-convertible	Noncumulative	Cumulative
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	-	-	-	-
If write-down, write-down trigger(s)	Write-down feature	Write-down feature	Write-down feature	Write-down feature
If write-down, full or partial	-	-	-	In case of default 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 incompleteness with article number 7 and 8 of "Own fund regulation"	-	-	B-2-g	-

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

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

c. 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".

**II. Explanations on credit risk:**

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

**III. Explanations on countercyclical buffer:**

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

**IV. Explanations on currency risk:**

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

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

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

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

(Exchange rates presented as full TL)

	USD	EUR
<b>Balance sheet evaluation rate</b>	<b>2,99590</b>	<b>3,36080</b>
Current bid rate on the first date	2,97640	3,33620
Current bid rate on the second date	2,97090	3,34010
Current bid rate on the third date	2,98460	3,35460
Current bid rate on the fourth date	2,94740	3,30440
Current bid rate on the fifth date	2,94680	3,31000
<b>Arithmetic average of the last 30 days:</b>	<b>2,95869</b>	<b>3,31902</b>
<b>Balance sheet evaluation rate as of prior period:</b>	<b>2,90760</b>	<b>3,17760</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

	EUR	USD	OTHER FC <sup>(4)</sup>	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	4.160.680	13.397.683	4.825.435	22.383.798
Banks	884.619	552.211	64.215	1.501.045
Financial assets at fair value through profit or loss	137.362	346.114	694	484.170
Money market placements	-	-	-	-
Available-for-sale financial assets	639.783	1.961.091	-	2.600.874
Loans <sup>(1)</sup>	24.920.665	35.244.072	972.733	61.137.470
Investments in associates, subsidiaries and joint ventures	1.269.369	285.738	380.291	1.935.398
Held-to-maturity investments	170.769	4.694.022	-	4.864.791
Hedging derivative financial assets	-	2	-	2
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets <sup>(2)</sup>	1.079.839	814.584	291.275	2.185.698
<b>Total assets</b>	<b>33.263.086</b>	<b>57.295.517</b>	<b>6.534.643</b>	<b>97.093.246</b>
<b>Liabilities</b>				
Bank deposits	260.186	947.435	63.278	1.270.899
Foreign currency deposits	17.620.291	37.520.391	1.883.759	57.024.441
Funds from money market	-	2.394.904	-	2.394.904
Funds borrowed from other financial institutions	11.524.730	12.550.671	152.849	24.228.050
Marketable securities issued	77.969	6.108.606	252.320	6.438.895
Miscellaneous payables	663.687	879.469	13.901	1.557.057
Hedging derivative financial liabilities	29.909	206.717	-	236.626
Other liabilities <sup>(3)</sup>	215.154	8.476.611	4.887	8.696.652
<b>Total liabilities</b>	<b>30.391.926</b>	<b>69.084.804</b>	<b>2.370.794</b>	<b>101.847.524</b>
<b>Net on-balance sheet position</b>	<b>2.871.160</b>	<b>(11.789.287)</b>	<b>4.163.849</b>	<b>(4.754.278)</b>
<b>Net off-balance sheet position<sup>(5)</sup></b>	<b>(2.711.045)</b>	<b>11.862.557</b>	<b>(3.822.529)</b>	<b>5.328.983</b>
Financial derivative assets	6.587.501	28.541.455	2.254.942	37.383.898
Financial derivative liabilities	9.298.546	16.678.898	6.077.471	32.054.915
<b>Net Position</b>	<b>160.115</b>	<b>73.270</b>	<b>341.320</b>	<b>574.705</b>
<b>Non-cash loans</b>	<b>17.486.864</b>	<b>21.363.746</b>	<b>2.928.366</b>	<b>41.778.976</b>
<b>Prior Period</b>				
Total assets	25.566.779	61.851.474	5.299.420	92.717.673
Total liabilities	30.680.402	68.055.378	2.113.271	100.849.051
<b>Net on-balance sheet position</b>	<b>(5.113.623)</b>	<b>(6.203.904)</b>	<b>3.186.149</b>	<b>(8.131.378)</b>
<b>Net off-balance sheet position</b>	<b>5.228.155</b>	<b>6.228.183</b>	<b>(2.563.464)</b>	<b>8.892.874</b>
Financial derivative assets	9.863.354	35.123.592	1.940.333	46.927.279
Financial derivative liabilities	4.635.199	28.895.409	4.503.797	38.034.405
<b>Net Position</b>	<b>114.532</b>	<b>24.279</b>	<b>622.685</b>	<b>761.496</b>
<b>Non-cash loans</b>	<b>14.864.479</b>	<b>22.210.236</b>	<b>1.889.833</b>	<b>38.964.548</b>

- (1) Includes FX indexed loans amounting to TL 5.069.388 (December 31, 2015 – TL 5.163.077) which have been disclosed as TL in the financial statements.
- (2) Does not include foreign currency prepaid expenses amounting to TL 94.411 (December 31, 2015 – TL 91.032).
- (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 value foreign transactions classified as commitments are also included.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

**V. Explanations on interest rate risk:**

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

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

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

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

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.845.432	-	-	-	-	11.001.780	28.847.212
Banks	85.799	106.483	10.667	-	-	1.324.532	1.527.481
Financial assets at fair value through profit/loss	350.113	201.983	136.113	302.639	402.431	-	1.393.279
Money market placements	3.089.535	-	-	-	-	-	3.089.535
Available-for-sale financial assets	3.444.842	2.605.607	6.323.591	2.497.837	1.735.011	118.127	16.725.015
Loans	27.199.351	25.005.912	41.198.331	50.153.305	12.076.594	1.809.604	157.443.097
Held-to-maturity investments	1.041.032	-	885.185	714.049	6.184.116	-	8.824.382
Other assets	178.081	298.390	-	-	-	12.840.314	13.316.785
<b>Total assets</b>	<b>53.234.185</b>	<b>28.218.375</b>	<b>48.553.887</b>	<b>53.667.830</b>	<b>20.398.152</b>	<b>27.094.357</b>	<b>231.166.786</b>
<b>Liabilities</b>							
Bank deposits	1.935.042	137.595	4.187	-	-	431.697	2.508.521
Other deposits	75.983.102	31.724.146	4.059.724	37.251	-	21.321.504	133.125.727
Funds from money market	7.945.090	402.214	853.624	-	-	-	9.200.928
Miscellaneous payables	-	-	-	-	-	10.306.066	10.306.066
Marketable securities issued	374.554	690.821	2.842.048	4.928.515	34.266	-	8.870.204
Funds borrowed from other financial institutions	4.972.807	12.905.679	5.983.219	318.742	605.850	-	24.786.297
Other liabilities <sup>(1)</sup>	414.901	803.679	150.195	380.351	7.818.019	32.801.898	42.369.043
<b>Total liabilities</b>	<b>91.625.496</b>	<b>46.664.134</b>	<b>13.892.997</b>	<b>5.664.859</b>	<b>8.458.135</b>	<b>64.861.165</b>	<b>231.166.786</b>
<b>Balance sheet long position</b>	-	-	<b>34.660.890</b>	<b>48.002.971</b>	<b>11.940.017</b>	-	<b>94.603.878</b>
<b>Balance sheet short position</b>	<b>(38.391.311)</b>	<b>(18.445.759)</b>	-	-	-	<b>(37.766.808)</b>	<b>(94.603.878)</b>
Off-balance sheet long position	8.634.791	17.644.371	-	-	-	-	26.279.162
Off-balance sheet short position	-	-	(2.359.002)	(16.976.533)	(7.167.284)	-	(26.502.819)
<b>Total position</b>	<b>(29.756.520)</b>	<b>(801.388)</b>	<b>32.301.888</b>	<b>31.026.438</b>	<b>4.772.733</b>	<b>(37.766.808)</b>	<b>(223.657)</b>

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non interest bearing	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.087.214	-	-	-	-	9.907.372	26.994.586
Banks	39.293	179.869	-	-	-	1.117.982	1.337.144
Financial assets at fair value through profit/loss	634.200	239.515	607.024	238.771	49.800	-	1.769.310
Money market placements	284.104	2.011	-	-	-	-	286.115
Available-for-sale financial assets	2.064.819	5.605.019	7.556.053	3.750.799	3.536.749	234.990	22.748.429
Loans	23.974.257	17.239.690	48.502.619	38.244.452	19.313.091	1.505.073	148.779.182
Held-to-maturity investments	-	369.566	1.014.843	699.311	4.305.912	-	6.389.632
Other assets	183.963	516.860	254.304	-	-	11.109.895	12.065.022
<b>Total assets</b>	<b>44.267.850</b>	<b>24.152.530</b>	<b>57.934.843</b>	<b>42.933.333</b>	<b>27.205.552</b>	<b>23.875.312</b>	<b>220.369.420</b>
<b>Liabilities</b>							
Bank deposits	3.486.432	77.009	-	-	-	624.333	4.187.774
Other deposits	65.707.743	32.538.703	5.493.316	18.542	-	18.962.815	122.721.119
Funds from money market	11.902.440	146.864	245.636	-	-	-	12.294.940
Miscellaneous payables	-	-	-	-	-	9.138.148	9.138.148
Marketable securities issued	376.588	1.317.448	1.644.434	6.197.101	31.992	-	9.567.563
Funds borrowed from other financial institutions	5.346.894	13.071.656	4.125.625	251.267	820.288	-	23.615.730
Other liabilities <sup>(1)</sup>	728.141	578.846	1.051.347	191.719	6.086.118	30.207.975	38.844.146
<b>Total liabilities</b>	<b>87.548.238</b>	<b>47.730.526</b>	<b>12.560.358</b>	<b>6.658.629</b>	<b>6.938.398</b>	<b>58.933.271</b>	<b>220.369.420</b>
<b>Balance sheet long position</b>	-	-	45.374.485	36.274.704	20.267.154	-	101.916.343
<b>Balance sheet short position</b>	(43.280.388)	(23.577.996)	-	-	-	(35.057.959)	(101.916.343)
Off-balance sheet long position	6.149.452	18.331.052	-	-	-	-	24.480.504
Off-balance sheet short position	-	-	(6.619.770)	(14.181.457)	(4.332.133)	-	(25.133.360)
<b>Total position</b>	<b>(37.130.936)</b>	<b>(5.246.944)</b>	<b>38.754.715</b>	<b>22.093.247</b>	<b>15.935.021</b>	<b>(35.057.959)</b>	<b>(652.856)</b>

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

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

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

Current Period	EUR	USD	Yen	TL
	%	%	%	%
<b>Assets<sup>(1)</sup></b>				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,49	-	3,49
Banks	-	0,40	-	10,30
Financial assets at fair value through profit/loss	2,90	3,78	-	8,94
Money market placements	-	-	-	8,24
Available-for-sale financial assets	4,30	5,34	-	10,42
Loans	4,24	5,83	4,99	13,44
Held-to-maturity investments	5,20	5,43	-	10,03
<b>Liabilities<sup>(1)</sup></b>				
Bank deposits	0,68	0,70	-	8,19
Other deposits	1,37	2,61	1,40	11,02
Funds from money market	-	1,19	-	7,50
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,43	5,23	0,35	9,30
Funds borrowed from other financial institutions	0,86	2,20	3,18	6,34

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

Prior Period	EUR	USD	Yen	TL
	%	%	%	%
<b>Assets<sup>(1)</sup></b>				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,21	-	2,09
Banks	-	0,90	-	12,69
Financial assets at fair value through profit/loss	2,07	3,92	-	9,01
Money market placements	-	0,90	-	13,21
Available-for-sale financial assets	4,40	5,81	-	10,00
Loans	4,09	5,30	4,80	14,49
Held-to-maturity investments	5,20	5,43	-	10,62
<b>Liabilities<sup>(1)</sup></b>				
Bank deposits	1,40	1,17	-	11,07
Other deposits	1,43	2,20	1,72	12,73
Funds from money market	-	1,01	-	9,45
Miscellaneous payables	-	-	-	-
Marketable securities issued	1,80	5,02	0,81	10,87
Funds borrowed from other financial institutions	1,03	3,02	2,99	7,08

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

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

None.

**VII. Explanations on 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 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 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 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.



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

Both short-term liquidity and long-term (structural) liquidity measurement and reporting for all types of currencies are periodically made in Bank and its subsidiaries. There are limits which are predetermined and approved by the Board of Directors on the basis of all currencies for each period.

The 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 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 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.

CURRENT PERIOD	Unweighted Amounts <sup>(1)</sup>		Weighted Amounts <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			33.857.550	22.351.166
<b>CASH OUTFLOWS</b>				
Retail and Small Business Customers Deposits	64.708.057	23.471.584	5.608.648	2.347.136
Stable deposits	17.243.147	445	862.157	22
Less stable deposits	47.464.910	23.471.139	4.746.491	2.347.114
Unsecured Funding other than Retail and Small Business Customers Deposits	56.021.340	27.450.832	31.326.991	13.829.235
Operational deposits	-	-	-	-
Non-Operational Deposits	45.194.075	24.563.526	22.526.040	10.941.929
Other Unsecured Funding	10.827.265	2.887.306	8.800.951	2.887.306
Secured funding				
Other Cash Outflows	10.417.156	6.944.690	10.417.156	6.944.690
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	10.417.156	6.944.690	10.417.156	6.944.690
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	53.686.700	33.221.576	2.684.335	1.661.079
Other irrevocable or conditionally revocable commitments	57.345.603	9.288.277	4.114.843	596.982
<b>TOTAL CASH OUTFLOWS</b>			<b>54.151.973</b>	<b>25.379.122</b>
<b>CASH INFLOWS</b>				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	14.914.709	2.977.002	8.941.951	2.208.733
Other contractual cash inflows	9.380.679	7.240.850	9.380.679	7.240.850
<b>TOTAL CASH INFLOWS</b>	<b>24.295.388</b>	<b>10.217.852</b>	<b>18.322.630</b>	<b>9.449.583</b>
			<b>Capped Amounts</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>33.857.550</b>	<b>22.351.166</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>35.829.343</b>	<b>15.929.539</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>94,50</b>	<b>140,31</b>

(1) The arithmetic average of the last three months' weekly unconsolidated liquidity coverage ratios are used.

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

Curent Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
<b>Week</b>	September 30, 2016	September 16, 2016	August 26, 2016	September 9, 2016
<b>Ratio(%)</b>	97,49	86,59	192,80	106,51

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

PREVIOUS PERIOD	Unweighted Amounts <sup>(1)</sup>		Weighted Amounts <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			31.029.798	21.446.919
<b>CASH OUTFLOWS</b>				
Retail and Small Business Customers Deposits	58.729.791	23.417.750	4.908.236	2.067.922
Stable deposits	19.294.865	5.477.050	964.743	273.852
Less stable deposits	39.434.926	17.940.700	3.943.493	1.794.070
Unsecured Funding other than Retail and Small Business Customers Deposits	56.257.239	29.187.502	31.130.778	15.775.218
Operational deposits	-	-	-	-
Non-Operational Deposits	45.595.836	25.536.719	22.343.534	12.124.435
Other Unsecured Funding	10.661.403	3.650.783	8.787.244	3.650.783
Secured funding			11.393	11.393
Other Cash Outflows	23.170.220	16.444.257	23.170.220	16.444.257
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	23.170.220	16.444.257	23.170.220	16.444.257
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	49.986.703	31.880.243	2.499.335	1.594.012
Other irrevocable or conditionally revocable commitments	58.252.236	11.376.371	4.307.989	762.527
<b>TOTAL CASH OUTFLOWS</b>			<b>66.027.951</b>	<b>36.655.329</b>
<b>CASH INFLOWS</b>				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	14.334.673	3.916.498	8.393.926	2.718.646
Other contractual cash inflows	23.763.085	21.214.583	22.591.026	18.308.062
<b>TOTAL CASH INFLOWS</b>	<b>38.097.758</b>	<b>25.131.081</b>	<b>30.984.952</b>	<b>21.026.708</b>
			<b>Capped Amounts</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>31.029.798</b>	<b>21.446.919</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>35.042.999</b>	<b>15.628.621</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>88,55</b>	<b>137,23</b>

(1) The arithmetic average of the last three months' weekly unconsolidated liquidity coverage ratios are used.

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

Prior Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
<b>Week</b>	November 27, 2015	December 4, 2015	October 23, 2015	December 31, 2015
<b>Ratio(%)</b>	116,83	82,13	170,42	99,16

Funding sources of the Bank mainly consist of deposits which constitute 59% of total liabilities of the bank (December 31, 2015 – 58%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

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

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

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.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

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

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

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Unclassified <sup>(1),(2)</sup>	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	7.214.551	21.632.661	-	-	-	-	-	28.847.212
Banks	1.324.532	85.799	106.483	10.667	-	-	-	1.527.481
Financial assets at fair value through profit or loss	-	87.847	105.500	292.122	504.477	403.333	-	1.393.279
Money market placements	-	3.089.535	-	-	-	-	-	3.089.535
Available-for-sale financial assets	55.585	-	1.759	782.995	7.215.534	8.606.600	62.542	16.725.015
Loans	-	24.314.035	13.068.824	36.602.848	61.252.068	20.395.718	1.809.604	157.443.097
Held-to-maturity investments	-	-	-	-	1.799.496	7.024.886	-	8.824.382
Other assets <sup>(1)</sup>	2.135.998	-	-	143.248	309.725	23.498	10.704.316	13.316.785
<b>Total assets</b>	<b>10.730.666</b>	<b>49.209.877</b>	<b>13.282.566</b>	<b>37.831.880</b>	<b>71.081.300</b>	<b>36.454.035</b>	<b>12.576.462</b>	<b>231.166.786</b>
<b>Liabilities</b>								
Bank deposits	431.697	1.935.042	137.595	4.187	-	-	-	2.508.521
Other deposits	21.321.504	75.983.102	31.724.146	4.059.724	37.251	-	-	133.125.727
Funds borrowed from other financial institutions	-	4.482.372	1.442.126	9.816.723	4.718.265	4.326.811	-	24.786.297
Funds from money market	-	7.945.090	402.214	853.624	-	-	-	9.200.928
Marketable securities issued	-	374.554	690.821	2.842.048	4.928.515	34.266	-	8.870.204
Miscellaneous payables	1.475.232	8.631.737	42.973	-	-	-	156.124	10.306.066
Other liabilities <sup>(2)</sup>	3.032.141	100.329	585.722	328.957	1.436.767	8.341.225	28.543.902	42.369.043
<b>Total liabilities</b>	<b>26.260.574</b>	<b>99.452.226</b>	<b>35.025.597</b>	<b>17.905.263</b>	<b>11.120.798</b>	<b>12.702.302</b>	<b>28.700.026</b>	<b>231.166.786</b>
<b>Liquidity gap</b>	<b>(15.529.908)</b>	<b>(50.242.349)</b>	<b>(21.743.031)</b>	<b>19.926.617</b>	<b>59.960.502</b>	<b>23.751.733</b>	<b>(16.123.564)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(86.948)</b>	<b>(110.307)</b>	<b>243.277</b>	<b>37.633</b>	<b>(307.312)</b>	<b>-</b>	<b>(223.657)</b>
Derivative Financial Assets	-	24.690.742	8.217.671	14.260.588	36.563.752	16.161.539	-	99.894.292
Derivative Financial Liabilities	-	24.777.690	8.327.978	14.017.311	36.526.119	16.468.851	-	100.117.949
<b>Non-Cash Loans</b>	<b>-</b>	<b>2.470.551</b>	<b>6.504.576</b>	<b>19.152.637</b>	<b>10.336.794</b>	<b>24.116.101</b>	<b>-</b>	<b>62.580.659</b>
<b>Prior Period</b>								
Total assets	4.639.410	48.558.963	15.461.200	41.034.565	52.166.121	47.239.366	11.269.795	220.369.420
Total liabilities	23.038.947	91.194.187	35.526.307	20.193.245	11.421.072	12.563.119	26.432.543	220.369.420
<b>Liquidity gap</b>	<b>(18.399.537)</b>	<b>(42.635.224)</b>	<b>(20.065.107)</b>	<b>20.841.320</b>	<b>40.745.049</b>	<b>34.676.247</b>	<b>(15.162.748)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>739.345</b>	<b>(465.072)</b>	<b>(87.465)</b>	<b>21.532</b>	<b>(33.832)</b>	<b>-</b>	<b>174.508</b>
Derivative Financial Assets	-	29.891.739	15.264.344	27.365.426	27.937.406	11.598.250	-	112.057.165
Derivative Financial Liabilities	-	29.152.394	15.729.416	27.452.891	27.915.874	11.632.082	-	111.882.657
<b>Non-Cash Loans</b>	<b>-</b>	<b>18.685.139</b>	<b>3.089.306</b>	<b>8.170.733</b>	<b>5.710.284</b>	<b>21.385.609</b>	<b>-</b>	<b>57.041.071</b>

(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 unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

**VIII. Explanations on leverage ratio:**

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

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance sheet exposures</b>		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	226.169.941	216.297.937
(Asset amounts deducted in determining Tier 1 capital)	(2.176.779)	(2.244.358)
Total on-Balance sheet exposures	223.993.162	214.053.579
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	117.371	901.494
Potential credit risk of derivative financial instruments and credit derivatives	2.473.832	2.393.778
Total derivative financial instruments and credit derivatives exposure	2.591.203	3.295.272
<b>Securities financing transaction exposure</b>		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	964.768	1.822.510
Agent transaction exposures	-	-
Total securities financing transaction exposures	964.768	1.822.510
<b>Off-balance sheet items</b>		
Off-balance sheet exposure at gross notional amount	137.126.235	151.800.162
(Adjustments for conversion to credit equivalent amounts)	(8.359.427)	(2.270.232)
Total risk of off-balance sheet items	128.766.808	149.529.930
<b>Capital and total exposure</b>		
Tier 1 capital	23.171.698	20.753.147
Total exposures	356.315.941	368.701.291
<b>Leverage ratio</b>		
<b>Leverage ratio (%)</b>	<b>6,51</b>	<b>5,63</b>

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

**IX. Explanations on 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 October 23, 2015 and became effective as of March 31, 2016. The standardised approach is used for calculating the capital adequacy of the Bank, therefore, footnotes and explanations related to the internal rating based approach have not been disclosed.

**a. Overview of Risk Weighted Assets**

	Risk Weighted Assets		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	192.779.614	187.594.498	15.422.369
2 Of which standardised approach (SA)	192.779.614	187.594.498	15.422.369
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	2.291.000	2.475.585	183.280
5 Of which standardised approach for counterparty credit risk (SA-CCR)	2.291.000	2.475.585	183.280
6 Of which internal model method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 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	956.878	998.270	76.550
17 Of which standardised approach (SA)	956.878	998.270	76.550
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	13.109.939	11.675.375	1.048.795
20 Of which Basic Indicator Approach	13.109.939	11.675.375	1.048.795
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	-	-	-
<b>25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>209.137.431</b>	<b>202.743.728</b>	<b>16.730.994</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

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

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

**XI. Explanations on hedge accounting:**

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

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

Cross currency interest rate swaps are used as hedging instrument in FVH and interest rate swaps are used as hedging instrument in CFH.

Contractual amounts and the fair values as at September 30, 2016 of these hedging instruments are presented in the table below:

Hedging instrument	Current Period			Prior Period		
	Notional <sup>(1)</sup>	Asset	Liability	Notional <sup>(1)</sup>	Asset	Liability
Interest rate swap / Cross currency interest rate swap (CFH)	22.892.037	336.401	581.488	28.436.221	703.897	144.047
Cross currency interest rate swap (FVH)	433.277	140.070	20.728	567.175	251.230	3.427
<b>Total</b>	<b>23.325.314</b>	<b>476.471</b>	<b>602.216</b>	<b>29.003.396</b>	<b>955.127</b>	<b>147.474</b>

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 23.733.424 (December 31, 2015 – TL 29.505.684) the total notional of derivative financial assets amounting to TL 47.058.738 (December 31, 2015 – TL 58.509.080) 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 the accounting principles section of these financial statements in Section III. Part IV.

**Fair value hedge accounting:**

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

The impact of application of FVH accounting is summarized below:

Current Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item <sup>(1)</sup>	Net fair value of the hedging instrument <sup>(2)</sup>		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup>
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	(2.923)	140.070	20.728	20.374

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans and marketable securities 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 net include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 967.

Prior Period						
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item <sup>(1)</sup>	Net fair value of the hedging instrument <sup>(2)</sup>		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) <sup>(3)</sup>
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	(23.297)	251.230	3.427	(14.775)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans and marketable securities in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency funding and cross-currency swaps are reflected to the income statement in foreign exchange gains / losses line item.

(2) The amounts include the foreign exchange differences and net straight line interest accruals of the related derivatives.

(3) The ineffective portion of the mentioned hedging transaction is TL 2.286.

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

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

**Cash flow hedge accounting:**

The 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, EURO and TL interest rate swaps with floating receive, fixed pay legs, and the hedged item is the cash outflows due to financing of interests of repricing USD, EURO 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 <sup>(1)</sup>	Net gain/(loss) reclassified to equity <sup>(2)(3)</sup>
			Asset	Liability		
Interest rate swaps/Cross currency interest rate swaps	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	336.401	581.488	(411.742)	(679.707)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is amounting TL 2.401 .

**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 <sup>(1)</sup>	Net gain/(loss) reclassified to equity <sup>(2)(3)</sup>
			Asset	Liability		
Interest rate swaps/Cross currency interest rate swaps	Customer deposits and repos	Cash flow risk due to the changes in the interest rates	703.897	144.047	267.965	564.974

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

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

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

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

**Net Investment Hedge:**

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

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

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

**XIII. Explanations on operating segments:**

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

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

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

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

Through its Private Banking and Wealth Management activities, the Bank serves high net worth customers and delivers investment products to this customer segment. Among the products and services offered to Private Banking customers are time deposit products, capital guaranteed funds, mutual funds, Type A Type B funds, derivative products such as forwards, futures and options in domestic futures exchange market (VİOP) 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 Bank'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.



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information related to financial position of the Bank (continued)**

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:**

<b>Current Period<sup>(1)</sup></b>	<b>Retail banking</b>	<b>Corporate and commercial banking</b>	<b>Private banking and wealth management</b>	<b>Treasury, asset-liability management and other</b>	<b>Total operations of the Bank</b>
Operating revenue	3.278.257	2.057.652	173.367	2.830.516	8.339.792
Operating expenses	(3.069.357)	(643.800)	(74.440)	(1.974.281)	(5.761.878)
<b>Net operating income</b>	<b>208.900</b>	<b>1.413.852</b>	<b>98.927</b>	<b>856.235</b>	<b>2.577.914</b>
Dividend income	-	-	-	1	1
Income/(loss) from investments accounted based on equity method	-	-	-	348.120	348.120
<b>Profit before tax</b>	<b>208.900</b>	<b>1.413.852</b>	<b>98.927</b>	<b>1.204.356</b>	<b>2.926.035</b>
Tax provision expense	-	-	-	(563.216)	(563.216)
<b>Net period income</b>	<b>208.900</b>	<b>1.413.852</b>	<b>98.927</b>	<b>641.140</b>	<b>2.362.819</b>
<b>Net profit</b>	<b>208.900</b>	<b>1.413.852</b>	<b>98.927</b>	<b>641.140</b>	<b>2.362.819</b>
Segment asset	70.858.411	75.602.601	161.723	80.198.604	226.821.339
Investments in associates, subsidiaries and joint ventures	-	-	-	4.345.447	4.345.447
<b>Total assets</b>	<b>70.858.411</b>	<b>75.602.601</b>	<b>161.723</b>	<b>84.544.051</b>	<b>231.166.786</b>
Segment liabilities	56.557.615	48.989.309	32.740.328	67.858.235	206.145.487
Shareholders' equity	-	-	-	25.021.299	25.021.299
<b>Total liabilities</b>	<b>56.557.615</b>	<b>48.989.309</b>	<b>32.740.328</b>	<b>92.879.534</b>	<b>231.166.786</b>
<b>Prior Period<sup>(1)(2)</sup></b>	<b>Retail banking</b>	<b>Corporate and commercial banking</b>	<b>Private banking and wealth management</b>	<b>Treasury, asset-liability management and other</b>	<b>Total operations of the Bank</b>
Operating revenue	2.922.262	1.751.944	157.156	1.812.862	6.644.224
Operating expenses	(2.673.375)	(629.981)	(67.148)	(1.962.074)	(5.332.578)
<b>Net operating income continuing</b>	<b>248.887</b>	<b>1.121.963</b>	<b>90.008</b>	<b>(149.212)</b>	<b>1.311.646</b>
Dividend income	-	-	-	2.971	2.971
Income/(loss) from investments accounted based on equity method	-	-	-	278.119	278.119
<b>Profit before tax</b>	<b>248.887</b>	<b>1.121.963</b>	<b>90.008</b>	<b>131.878</b>	<b>1.592.736</b>
Tax provision expense	-	-	-	(367.194)	(367.194)
<b>Net period income</b>	<b>248.887</b>	<b>1.121.963</b>	<b>90.008</b>	<b>(235.316)</b>	<b>1.225.542</b>
<b>Net profit</b>	<b>248.887</b>	<b>1.121.963</b>	<b>90.008</b>	<b>(235.316)</b>	<b>1.225.542</b>
Segment assets	69.090.016	70.054.161	169.838	77.070.175	216.384.190
Investments in associates, subsidiaries and joint ventures	-	-	-	3.985.230	3.985.230
<b>Total assets</b>	<b>69.090.016</b>	<b>70.054.161</b>	<b>169.838</b>	<b>81.055.405</b>	<b>220.369.420</b>
Segment liabilities	51.068.598	49.253.094	28.125.979	68.837.738	197.285.409
Shareholders' equity	-	-	-	23.084.011	23.084.011
<b>Total liabilities</b>	<b>51.068.598</b>	<b>49.253.094</b>	<b>28.125.979</b>	<b>91.921.749</b>	<b>220.369.420</b>

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

(2) Profit / loss figures include as of September 30, 2015.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Section Five**

**Explanations and notes related to unconsolidated financial statements**

**I. Explanations and notes related to assets**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	1.617.742	749.631	1.437.730	511.118
The CBRT <sup>(1)</sup>	4.845.672	21.633.262	2.025.935	23.019.557
Other	-	905	-	246
<b>Total</b>	<b>6.463.414</b>	<b>22.383.798</b>	<b>3.463.665</b>	<b>23.530.921</b>

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

2. Information on the account of the CBRT:

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

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

(2) The Bank keeps TL, USD, EURO 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".

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

The Bank does not have financial assets at fair value through profit and loss subject to repo transactions and does not have financial assets at fair value through profit and loss given as collateral/blocked amount (December 31, 2015 - None).

**c. Positive differences related to trading derivative financial assets:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	144.056	-	173.071	-
Swap transactions <sup>(1)</sup>	700.626	449.318	1.205.895	209.040
Futures transactions	-	-	-	-
Options	39.631	17.722	106.540	8.658
Other	-	-	-	-
<b>Total</b>	<b>884.313</b>	<b>467.040</b>	<b>1.485.506</b>	<b>217.698</b>

(1) Includes Credit Default Swaps

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

**ç. Information on banks:**

1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	15.683	7.609	10.789	368
Foreign <sup>(1)</sup>	10.753	1.493.436	14.802	1.311.185
Headquarters and branches abroad	-	-	-	-
<b>Total</b>	<b>26.436</b>	<b>1.501.045</b>	<b>25.591</b>	<b>1.311.553</b>

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 218 (December 31, 2015 - TL 17.423).

2. Information on foreign banks account:

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

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

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

Available-for-sale financial assets given as collateral/blocked amounts to TL 1.584.450 (December 31, 2015 - TL 4.167.373) and available-for-sale financial assets subject to repo transactions amounts to TL 5.547.414 (December 31, 2015 - TL 8.389.163).

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

	Current Period	Prior Period
Debt securities	16.678.833	22.871.392
Quoted on stock exchange	15.853.985	21.740.703
Not quoted <sup>(1)</sup>	824.848	1.130.689
Share certificates	107.857	262.225
Quoted on stock exchange	-	-
Not quoted <sup>(2)</sup>	107.857	262.225
Impairment provision (-) <sup>(3)</sup>	(124.482)	(410.013)
Other <sup>(4)</sup>	62.807	24.825
<b>Total</b>	<b>16.725.015</b>	<b>22.748.429</b>

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

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

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

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

**f. Explanations on loans:**

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	-	-	-	-
Corporate shareholders	-	-	-	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	4.137	1.383.898	6.593	954.585
Loans granted to employees	146.135	103	136.551	2
<b>Total</b>	<b>150.272</b>	<b>1.384.001</b>	<b>143.144</b>	<b>954.587</b>

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
<b>Non-specialized loans</b>	<b>149.251.852</b>	<b>3.015.501</b>	-	<b>6.381.641</b>	<b>2.375.900</b>	<b>120.893</b>
Loans given to enterprises	76.460.974	1.014.510	-	1.735.691	936.068	82.509
Export loans	5.224.676	198.773	-	82.077	50.244	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.503.789	-	-	-	-	-
Consumer loans	28.800.620	910.277	-	1.404.538	228.075	23.940
Credit cards	21.216.754	560.348	-	540.010	209.678	11.882
Other <sup>(1)</sup>	15.045.039	331.593	-	2.619.325	951.835	2.562
<b>Specialized loans</b>	-	-	-	-	-	-
<b>Other receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>149.251.852</b>	<b>3.015.501</b>	-	<b>6.381.641</b>	<b>2.375.900</b>	<b>120.893</b>

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

	Standard loans and other receivables	Loans and other receivables under close monitoring
<b>Number of modifications made to extend payment plan<sup>(1)(2)(3)(4)</sup></b>		
Extended by 1 or 2 times	2.429.024	1.890.337
Extended by 3, 4 or 5 times	347.580	426.667
Extended by more than 5 times	238.897	58.896
<b>Total</b>	<b>3.015.501</b>	<b>2.375.900</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

<b>Extended period of time<sup>(1)(2)(3)(4)</sup></b>	<b>Standard loans and other receivables</b>	<b>Loans and other receivables under close monitoring</b>
0 - 6 Months	525.740	373.095
6 - 12 Months	443.257	240.688
1 - 2 Years	680.851	378.791
2 - 5 Years	799.967	567.275
5 Years and over	565.686	816.051
<b>Total</b>	<b>3.015.501</b>	<b>2.375.900</b>

- (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 66 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. 26 of them were restructured once or twice, 19 of them were restructured three, four or five times, 21 of them were structured more than five times.
- (3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.
- (4) There are 546 loans restructured in accordance with temporary article 10 subsection of the amendment of Provisioning Regulation dated August 5, 2016 with maturities Until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 366 of them were restructured once or twice, 134 of them were restructured three, four or five times, 46 of them were structured more than five times.

**3. Loans according to their maturity structure:**

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

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

	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<b>Consumer loans-TL</b>	<b>248.735</b>	<b>28.629.370</b>	<b>28.878.105</b>
Real estate loans	6.601	12.004.608	12.011.209
Automotive loans	6.131	345.407	351.538
Consumer loans	236.003	16.279.355	16.515.358
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>37.255</b>	<b>37.255</b>
Real estate loans	-	36.673	36.673
Automotive loans	-	-	-
Consumer loans	-	582	582
<b>Individual credit cards-TL</b>	<b>14.927.495</b>	<b>694.515</b>	<b>15.622.010</b>
With installments	7.964.808	683.571	8.648.379
Without installments	6.962.687	10.944	6.973.631
<b>Individual credit cards-FC</b>	<b>10.131</b>	<b>-</b>	<b>10.131</b>
With installments	4.693	-	4.693
Without installments	5.438	-	5.438
<b>Personnel loans-TL</b>	<b>4.911</b>	<b>59.596</b>	<b>64.507</b>
Real estate loans	-	1.906	1.906
Automotive loans	-	137	137
Consumer loans	4.911	57.553	62.464
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
<b>Personnel credit cards-TL</b>	<b>79.412</b>	<b>242</b>	<b>79.654</b>
With installments	39.651	242	39.893
Without installments	39.761	-	39.761
<b>Personnel credit cards-FC</b>	<b>535</b>	<b>-</b>	<b>535</b>
With installments	258	-	258
Without installments	277	-	277
<b>Credit deposit account-TL (real person)<sup>(1)</sup></b>	<b>1.225.291</b>	<b>-</b>	<b>1.225.291</b>
<b>Total</b>	<b>16.496.510</b>	<b>29.420.978</b>	<b>45.917.488</b>

- (1) TL 1.439 of the credit deposit account belongs to the loans used by personnel.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

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

6. Loans according to types of borrowers:

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

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

	Current Period	Prior Period
Domestic loans	154.257.864	145.976.200
Foreign loans	1.375.629	1.297.909
<b>Total</b>	<b>155.633.493</b>	<b>147.274.109</b>

8. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	29.878	36.629
Indirect loans granted to associates and subsidiaries	-	-
<b>Total</b>	<b>29.878</b>	<b>36.629</b>

9. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectibility	141.662	124.053
Loans and other receivables with doubtful collectibility	643.384	517.271
Uncollectible loans and other receivables	5.243.592	3.985.343
<b>Total</b>	<b>6.028.638</b>	<b>4.626.667</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
<b>Current Period</b>			
(Gross amounts before specific reserves)	10.469	55.050	203.957
Restructured loans and other receivables	10.469	55.050	203.957
Rescheduled loans and other receivables	-	-	-
<b>Prior Period</b>			
(Gross amounts before specific reserves)	51.140	85.755	127.959
Restructured loans and other receivables	51.140	85.755	127.959
Rescheduled loans and other receivables	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
<b>Prior Period</b>	691.268	1.300.630	4.139.842
Additions (+)	2.304.130	62.126	104.305
Transfers from other categories of non-performing loans (+)	-	2.003.858	1.597.687
Transfer to other categories of non-performing loans (-)	(2.003.858)	(1.597.687)	-
Collections (-)	(156.400)	(177.405)	(430.224)
Write-offs(-)	-	-	(30)
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	(30)
<b>Current Period</b>	835.140	1.591.522	5.411.580
Specific provision (-)	(141.662)	(643.384)	(5.243.592)
<b>Net balance on balance sheet</b>	<b>693.478</b>	<b>948.138</b>	<b>167.988</b>

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
<b>Current Period</b>			
Period end balance	37	6.289	489.784
Specific provision (-)	(7)	(5.311)	(421.042)
<b>Net balance on-balance sheet</b>	<b>30</b>	<b>978</b>	<b>68.742</b>
<b>Prior Period</b>			
Period end balance	113	5.266	508.015
Specific provision (-)	(23)	(3.817)	(426.724)
<b>Net balance on-balance sheet</b>	<b>90</b>	<b>1.449</b>	<b>81.291</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
<b>Current Period (net)</b>	<b>693.478</b>	<b>948.138</b>	<b>167.988</b>
Loans granted to real persons and corporate entities (gross)	835.140	1.591.522	5.302.972
Specific provision amount (-)	(141.662)	(643.384)	(5.134.984)
Loans granted to real persons and corporate entities (net)	693.478	948.138	167.988
Banks (gross)	-	-	24.622
Specific provision amount (-)	-	-	(24.622)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.986
Specific provision amount (-)	-	-	(83.986)
Other loans and receivables (net) <sup>(1)</sup>	-	-	-
<b>Prior Period (net)</b>	<b>567.215</b>	<b>783.359</b>	<b>154.499</b>
Loans granted to real persons and corporate entities (gross)	691.268	1.300.630	4.031.279
Specific provision amount (-)	(124.053)	(517.271)	(3.876.780)
Loans granted to real persons and corporate entities (net)	567.215	783.359	154.499
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) <sup>(1)</sup>	-	-	-

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

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

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

12. Explanation on "Write-off" policies:

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

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

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 2.120.444 (December 31, 2015 - TL 1.727.689 TL). The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 4.186.156 (December 31, 2015 - TL 2.736.461).

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

	Current Period	Prior Period
Government bond	8.824.382	6.389.632
Treasury bill	-	-
Other debt securities	-	-
<b>Total</b>	<b>8.824.382</b>	<b>6.389.632</b>

GÜNEY

BAĞIMSIZ DENETİM VE  
SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Maslak Mah. Eski Büyükdere Cad. No:27  
Daire:54-57-59 Kat:24 Sarıyer / İSTANBUL  
Ticaret Sicil No: 479920  
Mersis No: 0-4350-3032-6000017



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

	Current Period	Prior Period
Debt securities	9.066.027	6.583.900
Quoted on stock exchange	9.066.027	6.583.900
Not quoted	-	-
Impairment provision (-) <sup>(1)</sup>	(241.645)	(194.268)
<b>Total</b>	<b>8.824.382</b>	<b>6.389.632</b>

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

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

	Current Period	Prior Period
<b>Beginning balance</b>	<b>6.389.632</b>	<b>5.019.049</b>
Foreign currency differences on monetary assets <sup>(1)</sup>	179.556	850.016
Purchases during the year	341.897	592.353
Transfer <sup>(3)</sup>	1.960.740	-
Disposals through sales and redemptions	(66)	(58)
Impairment provision (-) <sup>(2)</sup>	(47.377)	(71.728)
<b>Period end balance</b>	<b>8.824.382</b>	<b>6.389.632</b>

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

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

(3) 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.

ğ. Information on investments in associates (net):

1. Information on unconsolidated investments in associates:

No	Description	Address (City/Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage(%)
1.	Banque de Commerce et de Placements S.A.	Cenevre/İsviçre	30,67	30,67
2.	Kredi Kayıt Bürosu <sup>(1)</sup>	İstanbul/Türkiye	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş. <sup>(1)</sup>	İstanbul/Türkiye	9,98	9,98

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	Fair value
1.	13.050.314	1.300.430	6.190	105.978	18.428	105.577	77.147	-
2.	171.986	123.290	118.180	1.917	17	10.180	17.045	-
3.	68.992	39.246	47.932	383	-	9.586	5.165	-

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

3. Movement of unconsolidated investments in associates:

	Current Period	Prior Period
<b>Balance at the beginning of the period</b>	<b>342.643</b>	<b>264.875</b>
<b>Movements during the period</b>	<b>42.151</b>	<b>77.768</b>
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Profit from current year's income	32.397	21.001
Sales	-	-
Revaluation (decrease) / increase <sup>(1)</sup>	17.399	61.566
Impairment provision <sup>(2)</sup>	(7.645)	(4.799)
<b>Balance at the end of the period</b>	<b>384.794</b>	<b>342.643</b>
<b>Capital commitments</b>	-	-
<b>Share holding percentage at the end of the period (%)</b>	-	-

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

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

4. Information on sectors and the carrying amounts of unconsolidated financial investments in associates:

	Current Period	Prior Period
Banks	380.291	338.140
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
<b>Total financial investments</b>	<b>380.291</b>	<b>338.140</b>

5. The Bank has no investments in associates quoted on a stock exchange.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

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

1. Information on equity of the 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 Niderland N.V.
<b>Core Capital</b>					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable securities valuation differences	13.645	-	-	-	(1.694)
Other capital reserves	93.614	11	(217.064)	-	-
Legal reserves	68.107	8.034	79.305	18.164	-
Extraordinary reserves	198.933	10.458	771.384	-	482.113
Other reserves	-	-	-	-	404.535
<b>Profit/loss</b>	(20.389)	123.670	647.571	18.624	67.644
Prior period profit	49.557	25.688	172.803	18.624	67.644
Prior years' income or (loss)	(69.946)	97.982	474.768	-	-
Leasehold improvements (-)	-	-	165	202	71
Intangible assets (-)	17.582	1.544	3.690	574	202
<b>Total core capital</b>	<b>448.943</b>	<b>201.343</b>	<b>1.667.269</b>	<b>41.719</b>	<b>1.064.767</b>
<b>Supplementary capital</b>	-	10.127	37.846	-	188
<b>Capital</b>	<b>448.943</b>	<b>211.470</b>	<b>1.705.115</b>	<b>41.719</b>	<b>1.064.955</b>
<b>Deductions from the capital</b>	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>448.943</b>	<b>211.470</b>	<b>1.705.115</b>	<b>41.719</b>	<b>1.064.955</b>

The above information is based on the consolidated financial statements of the Bank as of September 30, 2016.

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 unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

2. Information on subsidiaries:

No	Description	Address (City/ Country)	Bank's share holding percentage if different voting percentage (%)	Bank's risk group share holding percentage (%)
1.	Yapı Kredi Holding BV.	Amsterdam/Holland	100,00	100,00
2.	Yapı Kredi Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	99,98	100,00
3.	Yapı Kredi Faktoring A.Ş.	İstanbul/Turkey	99,95	100,00
4.	Yapı Kredi Moscow	Moskow/Russia	99,84	100,00
5.	Yapı Kredi Finansal Kiralama A.O.	İstanbul/Turkey	99,99	99,99
6.	Yapı Kredi Portföy Yönetimi A.Ş.	İstanbul/Turkey	12,65	99,99
7.	Yapı Kredi Nederland N.V.	Amsterdam/Holland	67,24	100,00
8.	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
9.	Enternasyonal Turizm Yatırım A.Ş.	İstanbul/Turkey	99,96	99,99
10.	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	İstanbul/Turkey	99,99	100,00
11.	Yapı Kredi Teknoloji A.Ş.	İstanbul/Turkey	100,00	100,00

3. Main financial figures of the subsidiaries in order of the above table<sup>(1)</sup>:

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	Required equity
1.	228.080	227.868	-	-	-	(186)	216	-	-
2.	4.433.807	471.029	39.616	209.868	5.849	49.557	53.151	-	-
3.	2.483.204	202.887	2.145	127.903	-	25.688	16.472	-	-
4.	385.590	159.826	14.782	23.549	1.149	9.511	10.805	-	-
5.	8.514.050	1.671.124	4.198	375.687	-	172.803	140.408	-	-
6.	51.233	42.476	1.254	4.048	-	18.624	18.191	-	-
7.	6.856.247	1.065.041	867	253.879	9.434	67.644	43.283	-	-
8.	816.405	126.415	23.944	42.471	-	(1.576)	(3.606)	-	-
9.	37.221	24.382	3.712	1.630	-	1.288	(871)	-	-
10.	27.323	22.952	1.267	48	-	3.484	3.611	-	-
11.	6.652	5.367	2.203	163	-	644	(1.069)	-	-

(1) Consolidated financial statements are used for the financial information above.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

4. Movement schedule of subsidiaries:

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

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

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

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

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

6. Subsidiaries quoted on stock exchange:

None (December 31, 2015 - None).

**I. Information on joint ventures (net):**

Joint ventures in unconsolidated financial statements are accounted and monitored at equity method according to "TAS 27".

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

None (December 31, 2015 - None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge <sup>(1)</sup>	140.070	-	251.230	-
Cash flow hedge <sup>(1)</sup>	336.399	2	697.629	6.268
Foreign net investment hedge	-	-	-	-
<b>Total</b>	<b>476.469</b>	<b>2</b>	<b>948.859</b>	<b>6.268</b>

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

**k. Information on tangible assets:**

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

**l. Information on intangible assets:**

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

**m. Information on investment property:**

None (December 31, 2015 - None).

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

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

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

	Current Period	Prior Period
<b>Net book value at the beginning of the period</b>	<b>151.010</b>	<b>150.499</b>
Additions	75.309	71.047
Disposals (-), net	(42.884)	(65.547)
Impairment provision reversal	1.681	560
Impairment provision (-)	(322)	(400)
Depreciation (-)	(4.065)	(5.149)
<b>Net book value at the end of the period</b>	<b>180.729</b>	<b>151.010</b>
Cost at the end of the period	196.532	166.100
Accumulated depreciation at the end of the period (-)	(15.803)	(15.090)
<b>Net book value at the end of the period</b>	<b>180.729</b>	<b>151.010</b>

As of September 30, 2016, the Bank booked impairment provision on assets held for resale with an amount of TL 6.479 (December 31, 2015 - TL 7.838).

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

**ö. Information on other assets:**

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

**II. Explanations and notes related to liabilities**

**a. Information on deposits:**

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

**(i). Current Period:**

	Demand	Up to 1 month	1-3 months	3-6 months	6 months- 1 year	1 year and over	Cumulative savings account	Total
Saving deposits	5.450.286	1.425.119	30.586.906	1.449.408	215.888	178.379	223	39.306.209
Foreign currency deposits	9.531.724	9.464.665	30.215.886	2.743.108	3.761.422	729.301	-	56.446.106
Residents in Turkey	9.465.109	9.455.883	29.964.308	2.720.936	3.737.306	697.887	-	56.041.429
Residents abroad	66.615	8.782	251.578	22.172	24.116	31.414	-	404.677
Public sector deposits	1.115.508	91	8.201	6	71	58	-	1.123.935
Commercial deposits	4.814.159	3.193.630	18.924.437	4.521.138	722.941	554.957	-	32.731.262
Other institutions deposits	90.461	55.299	2.045.284	311.610	436.599	627	-	2.939.880
Precious metals vault	319.366	71.571	138.203	16.941	25.036	7.218	-	578.335
Bank deposits	431.697	1.332.413	431.889	256.562	53.866	2.094	-	2.508.521
The CBRT	6.414	-	-	-	-	-	-	6.414
Domestic banks	3.122	1.326.643	364.685	139.878	53.866	2.094	-	1.890.288
Foreign banks	310.247	5.770	67.204	116.684	-	-	-	499.905
Participation banks	111.914	-	-	-	-	-	-	111.914
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21.753.201</b>	<b>15.542.788</b>	<b>82.350.806</b>	<b>9.298.773</b>	<b>5.215.823</b>	<b>1.472.634</b>	<b>223</b>	<b>135.634.248</b>

**(ii). Prior Period:**

	Demand	Up to 1 month	1-3 months	3-6 months	6 months- 1 year	1 year and over	Cumulative savings account	Total
Saving deposits	4.219.126	1.337.095	26.867.767	806.306	126.278	183.663	-	33.540.235
Foreign currency deposits	8.671.966	8.871.297	30.611.654	4.674.673	4.545.321	896.742	-	58.271.653
Residents in Turkey	8.506.638	8.856.667	29.930.970	2.994.446	636.691	530.164	-	51.455.576
Residents abroad	165.328	14.630	680.684	1.680.227	3.908.630	366.578	-	6.816.077
Public sector deposits	833.607	70	72.690	71	660	77	-	907.175
Commercial deposits	4.816.994	4.534.416	15.097.208	727.103	139.531	638.371	-	25.953.623
Other institutions deposits	91.538	62.089	2.592.019	320.813	402.005	1.190	-	3.469.654
Precious metals vault	329.584	5.828	59.963	26.188	33.296	123.920	-	578.779
Bank deposits	624.333	2.918.728	458.136	145.629	40.948	-	-	4.187.774
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	1.802	2.886.159	365.081	-	-	-	-	3.253.042
Foreign banks	298.030	32.569	93.055	145.629	40.948	-	-	610.231
Participation banks	324.501	-	-	-	-	-	-	324.501
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19.587.148</b>	<b>17.729.523</b>	<b>75.759.437</b>	<b>6.700.783</b>	<b>5.288.039</b>	<b>1.843.963</b>	<b>-</b>	<b>126.908.893</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

2. Information on saving deposits insurance:

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

Saving deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	20.062.851	17.014.520	19.243.236	16.525.715
Foreign currency savings deposit	4.991.363	5.043.911	17.709.169	16.142.805
Other deposits in the form of saving deposits	223.727	241.329	302.302	277.182
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

	Current Period	Prior Period
Foreign branches' deposits and other accounts	5.652	5.495
Saving deposits and other accounts of controlling shareholders and deposits of their mother, father, spouse, children in care	-	-
Saving deposits and other accounts of president and members of board of directors, CEO and vice presidents and deposits of their mother, father, spouse, children in care	277.354	130.003
Saving deposits and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish criminal law no:5237 dated 26.09.2004	-	-
Saving deposits in deposit bank which is established in Turkey in order to engage in off-shore banking activities solely	-	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	121.633	-	96.278	-
Swap transactions	583.480	469.871	1.421.153	217.921
Futures transactions	-	-	-	-
Options	39.568	20.858	104.779	13.375
Other	-	-	-	-
<b>Total</b>	<b>744.681</b>	<b>490.729</b>	<b>1.622.210</b>	<b>231.296</b>

**c. Information on banks and institutions:**

1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	-	-	-
From domestic banks and institutions	178.507	198.867	196.688	199.378
From foreign banks, institutions and funds	379.740	24.029.183	457.177	22.762.487
<b>Total</b>	<b>558.247</b>	<b>24.228.050</b>	<b>653.865</b>	<b>22.961.865</b>



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	64.679	3.205.459	248.614	3.700.924
Medium and long-term	493.568	21.022.591	405.251	19.260.941
<b>Total</b>	<b>558.247</b>	<b>24.228.050</b>	<b>653.865</b>	<b>22.961.865</b>

3. Information on securitization borrowings:

The Bank 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.

	Current Period		Prior Period	
	TL	FC	TL	FC
From foreign banks	-	-	-	-
From foreign institutions <sup>(1)</sup>	-	5.716.061	-	6.083.274
From foreign funds	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5.716.061</b>	<b>-</b>	<b>6.083.274</b>

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

4. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.865.265	114.413	2.106.752	451.305
Bonds	566.044	6.324.482	662.717	6.346.789
<i>Collateralized securities</i>	<i>294.037</i>	<i>-</i>	<i>288.650</i>	<i>-</i>
<b>Total</b>	<b>2.431.309</b>	<b>6.438.895</b>	<b>2.769.469</b>	<b>6.798.094</b>

ç. Information on other liabilities:

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

d. Information on lease payables:

1. Information on financial leasing agreements:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	1.462	1.430	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>1.462</b>	<b>1.430</b>	<b>-</b>	<b>-</b>

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

2. Information on operational leasing agreements:

The 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".

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge <sup>(1)</sup>	20.728	-	3.427	-
Cash flow hedge <sup>(1)</sup>	344.862	236.626	35.387	108.660
Foreign net investment hedge	-	-	-	-
<b>Total</b>	<b>365.590</b>	<b>236.626</b>	<b>38.814</b>	<b>108.660</b>

(1) Explained in Note XI of Section IV.

**f. Information on provisions:**

1. Information on general provisions:

	Current Period	Prior Period
I. Provisions for first group loans and receivables	2.257.367	2.043.593
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	144.255	85.758
II. Provisions for second group loans and receivables	284.217	206.370
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	91.905	57.504
Provisions for non cash loans	97.573	89.189
Others	229.659	232.838
<b>Total</b>	<b>2.868.816</b>	<b>2.571.990</b>

2. Information on reserve for employee rights:

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

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

	Current Period	Prior Period
Discount rate (%)	4,60	4,60
Probability of retirement rate (%)	93,89	93,89

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. The ceiling of full TL 4.297,21 effective from July 1, 2016 (July 1, 2015: full TL 3.709,98) has been taken into consideration in calculating the reserve for employment termination benefits.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
<b>Prior period ending balance</b>	<b>120.717</b>	<b>123.200</b>
Changes during the period	32.621	47.684
Recognized in equity	-	(22.478)
Paid during the period	(29.382)	(27.689)
<b>Balance at the end of the period</b>	<b>123.956</b>	<b>120.717</b>

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 148.278 as of September 30, 2016 (December 31, 2015 - TL 147.449).

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

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

4. Other provisions:

(i) Information on other provisions:

	Current Period	Prior Period
Pension fund provision	574.249	574.249
Provisions on unindemnified non cash loans	142.284	105.932
Provisions on credit cards and promotion campaigns related to banking services	41.562	38.244
Other	314.797	292.953
<b>Total</b>	<b>1.072.892</b>	<b>1.011.378</b>

(ii) General reserves for possible losses:

	Current Period	Prior Period
General reserves for possible losses	50.000	-
<b>Total</b>	<b>50.000</b>	<b>-</b>

5. Pension fund provision:

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(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

**g. Information on taxes payable:**

(i) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	194.814	185.879
Taxation of Marketable Securities	117.329	111.321
Property Tax	3.035	2.795
Banking Insurance Transaction Tax ("BITT")	94.271	105.614
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	4.367	12.831
Other	34.199	31.588
<b>Total</b>	<b>448.015</b>	<b>450.028</b>

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	16.253	13.473
Bank pension fund premiums – employer	16.768	13.921
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.160	961
Unemployment insurance – employer	2.320	1.922
Other	-	-
<b>Total</b>	<b>36.501</b>	<b>30.277</b>

(iii) Information on deferred tax liability:

None. (December 31, 2015 – TL 113.934).

**ğ. Liabilities for property and equipment held for sale and related to discontinued operations (net):**

None. (December 31, 2015 – None).

**h. Information on subordinated loans: <sup>(1)</sup>**

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	7.728.089	-	6.635.191
From other foreign institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>7.728.089</b>	<b>-</b>	<b>6.635.191</b>

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

1. Presentation of paid-in capital:

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

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

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

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

None (December 31, 2015 - None).

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

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

6. Information on prior period's indicators on the Bank'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 Bank within several risk and legal limits.

7. Privileges on the corporate stock: None.

8. Information on value increase fund of marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From investments in associates, subsidiaries, and joint ventures</b>	<b>785.332</b>	<b>1.152.193</b>	<b>785.325</b>	<b>1.041.745</b>
Valuation difference <sup>(1)</sup>	785.332	1.152.193	785.325	1.041.745
Foreign currency difference	-	-	-	-
<b>Available for sale securities</b>	<b>(112.677)</b>	<b>44.231</b>	<b>(559.598)</b>	<b>293.487</b>
Valuation differences <sup>(2)</sup>	(112.677)	44.231	(559.598)	293.487
Foreign currency differences	-	-	-	-
<b>Total</b>	<b>672.655</b>	<b>1.196.424</b>	<b>225.727</b>	<b>1.335.232</b>

(1) Includes differences between historical cost basis and equity method of associates, subsidiaries and joint ventures.

(2) The tax effect related to foreign currency valuation differences is also represented in Turkish Lira column.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

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

1. The amount and type of irrevocable commitments:

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

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 Bank set aside general provision for its non-cash loans amounting to TL 97.573 (December 31, 2015 - TL 89.189) and specific provision amounting to TL 839.518 (December 31, 2015 - TL 597.477) for non-cash loans which are not indemnified yet amounting to TL 142.284 (December 31, 2015 - TL 105.932).

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

	<b>Current Period</b>	<b>Prior Period</b>
Bank acceptance loans	175.571	173.524
Letter of credits	7.771.490	7.648.009
Other guarantees and collaterals	5.374.706	4.255.807
<b>Total</b>	<b>13.321.767</b>	<b>12.077.340</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Temporary letter of guarantees	2.497.923	1.926.929
Definite letter of guarantees	32.756.506	31.742.225
Advance letter of guarantees	7.079.563	5.535.124
Letter of guarantees given to customs	2.353.703	2.016.647
Other letter of guarantees	4.571.197	3.742.806
<b>Total</b>	<b>49.258.892</b>	<b>44.963.731</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

3. Information on non-cash loans:

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

	Current Period	Prior Period
Non-cash loans given against cash loans	4.292.732	3.455.099
With original maturity of 1 year or less than 1 year	843.859	430.142
With original maturity of more than 1 year	3.448.873	3.024.957
Other non-cash loans	58.287.927	53.585.972
<b>Total</b>	<b>62.580.659</b>	<b>57.041.071</b>

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

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

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**b. Information on derivative financial instruments:**

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

**c. Information on credit derivatives and risk exposures:**

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

The Bank has recorded a provision of TL 42.858 (December 31, 2015 - TL 42.615) for litigation and has accounted for it in the accompanying 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 cash outflow for such claims.

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

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(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

**IV. Explanations and notes related to income statement:**

**a. Information on interest income:**

1. Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans <sup>(1)</sup>	3.896.248	125.017	3.607.519	136.891
Medium/long-term loans <sup>(1)</sup>	5.222.540	1.955.918	3.948.102	1.588.096
Interest on loans under follow-up	62.421	136	57.092	54
Premiums received from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>9.181.209</b>	<b>2.081.071</b>	<b>7.612.713</b>	<b>1.725.041</b>

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

2. Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
From the CBRT	-	11	-	-
From domestic banks	20.011	229	18.547	193
From foreign banks	1.757	12.498	2.418	4.840
Headquarters and branches abroad	-	-	-	-
<b>Total</b>	<b>21.768</b>	<b>12.738</b>	<b>20.965</b>	<b>5.033</b>

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	3.716	879	7.484	1.007
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	1.154.551	141.651	1.180.243	148.323
From held-to-maturity investments	295.328	226.362	129.914	167.267
<b>Total</b>	<b>1.453.595</b>	<b>368.892</b>	<b>1.317.641</b>	<b>316.597</b>

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

	Current Period	Prior Period
Interest received from associates and subsidiaries	35.528	16.396



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

**b. Information on interest expense:**

1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	37.536	551.363	49.319	546.535
The CBRT	-	-	-	-
Domestic banks	8.829	3.127	10.315	3.426
Foreign banks	28.707	548.236	39.004	543.109
Headquarters and branches abroad	-	-	-	-
Other institutions	-	112.071	-	74.018
<b>Total <sup>(1)</sup></b>	<b>37.536</b>	<b>663.434</b>	<b>49.319</b>	<b>620.553</b>

(1) Includes fees and commissions related to borrowings.

2. Information on interest expense to associates and subsidiaries:

	Current Period	Prior Period
Interest paid to associates and subsidiaries	146.377	43.626

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	179.785	261.959	207.030	275.228
<b>Total</b>	<b>179.785</b>	<b>261.959</b>	<b>207.030</b>	<b>275.228</b>

4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time deposit					Accumulating deposit	Total	Prior period
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year			
<b>TL</b>									
Bank deposits	144	107.810	2.942	-	93	94	2	111.085	53.688
Saving deposits	1	89.611	2.386.833	112.691	11.051	12.324	-	2.612.511	2.007.922
Public sector deposits	-	342	5.656	103	26	4	-	6.131	5.154
Commercial deposits	22	270.299	1.379.061	236.310	45.647	37.297	-	1.968.636	1.432.787
Other deposits	-	9.232	349.033	32.532	29.296	34	-	420.127	440.619
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>167</b>	<b>477.294</b>	<b>4.123.525</b>	<b>381.636</b>	<b>86.113</b>	<b>49.753</b>	<b>2</b>	<b>5.118.490</b>	<b>3.940.170</b>
<b>FC</b>									
Foreign currency deposits	51	136.770	502.482	45.056	26.845	10.830	-	722.034	637.955
Bank deposits	1	3.115	1.484	482	140	-	-	5.222	4.130
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal vault	-	387	826	67	110	56	-	1.446	1.476
<b>Total</b>	<b>52</b>	<b>140.272</b>	<b>504.792</b>	<b>45.605</b>	<b>27.095</b>	<b>10.886</b>	<b>-</b>	<b>728.702</b>	<b>643.561</b>
<b>Grand total</b>	<b>219</b>	<b>617.566</b>	<b>4.628.317</b>	<b>427.241</b>	<b>113.208</b>	<b>60.639</b>	<b>2</b>	<b>5.847.192</b>	<b>4.583.731</b>

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

**c. Information on dividend income:**

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

	Current Period	Prior Period
<b>Gain</b>	<b>20.504.539</b>	<b>36.912.794</b>
Gain from capital market transactions	129.406	215.916
Derivative financial transaction gains <sup>(1)</sup>	7.254.974	14.919.782
Foreign exchange gains	13.120.159	21.777.096
<b>Loss(-)</b>	<b>(20.432.034)</b>	<b>(37.562.106)</b>
Loss from capital market transactions	(82.858)	(47.734)
Derivative financial transaction losses <sup>(1)</sup>	(8.087.165)	(13.312.824)
Foreign exchange loss	(12.262.011)	(24.201.548)
<b>Net gain/loss</b>	<b>72.505</b>	<b>(649.312)</b>

(1) The amount of net income/loss from derivative financial transactions related to exchange rate changes is TL 720.428 loss (September 30, 2015 – TL 2.402.666 income).

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

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

**e. Provision for impairment of loans and other receivables:**

	Current Period	Prior Period
Specific provisions for loans and other receivables	1.514.414	1.157.347
III. Group loans and receivables	41.749	23.740
IV. Group loans and receivables	161.670	166.768
V. Group loans and receivables	1.310.995	966.839
General provision expenses	310.027	595.486
Provision expense for possible risks	50.000	-
Marketable securities impairment expenses <sup>(1)</sup>	35.361	60.072
Financial assets at fair value through profit or loss	700	870
Available-for-sale financial assets	34.661	59.202
Impairment of investments in associates, subsidiaries and held-to-maturity securities	53.996	26.600
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments <sup>(1)</sup>	53.996	26.600
Other	30.456	27.267
<b>Total</b>	<b>1.994.254</b>	<b>1.866.772</b>

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

	Current Period	Prior Period
Personnel expenses	1.449.688	1.334.007
Reserve for employee termination benefits	3.239	8.102
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	1.492
Depreciation expenses of property and equipment	167.569	149.737
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	87.437	91.594
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	322	277
Depreciation expenses of assets held for resale	4.065	3.857
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.386.946	1.134.602
Operational lease expenses	201.714	179.477
Repair and maintenance expenses	69.416	59.515
Advertising expenses	83.182	84.564
Other expense	1.032.634	811.046
Loss on sales of assets	13	52
Other	668.345	742.086
<b>Total</b>	<b>3.767.624</b>	<b>3.465.806</b>

**g. Information on profit/loss before taxes from continuing operations and discontinued operations:**

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

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

As of September 30, 2016, the Bank has current tax expense amounting to TL 637.360 (September 30, 2015 – None) and deferred tax income amounting to TL 74.144 (September 30, 2015 – TL 367.194 deferred tax expense) from continuing operations.

**h. Information on net income/loss for the period:**

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

**i. Other items in income statement:**

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

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

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

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**VII. Explanations and notes related to the Bank's risk group**

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

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

Current Period Bank's risk group <sup>(1)(2)</sup>	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	36.629	270.763	6.593	954.585	1.654.575	2.393.852
Balance at the end of the period	29.878	204.715	184.837	1.383.898	1.705.968	2.612.317
Interest and commission income received	35.528	1.007	2.857	5.487	147.270	7.829

Prior Period Bank's risk group <sup>(1)(2)</sup>	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at the beginning of the period	99.878	422.846	47.802	536.763	1.288.096	2.092.659
Balance at the end of the period	36.629	270.763	6.593	954.585	1.654.575	2.393.852
Interest and commission income received <sup>(3)</sup>	16.396	985	11.650	4.062	131.607	6.672

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

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

(3) Profit / loss figures include as of September 30, 2015.

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

Bank's risk group <sup>(1)(2)</sup> Deposit	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
Beginning of the period	2.500.000	2.229.278	15.911.762	10.228.006	10.366.561	10.038.882
End of the period	3.259.890	2.500.000	18.959.057	15.911.762	12.069.881	10.366.561
Interest expense on deposits <sup>(3)</sup>	146.377	43.626	755.621	598.615	383.962	276.696

(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 include profit / loss figures as of September 30, 2015.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Explanations and notes related to unconsolidated financial statements (continued)**

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

Bank's risk group <sup>(1)(2)</sup>	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Transactions at fair value through profit or loss<sup>(2)</sup></b>						
Beginning of the period <sup>(3)</sup>	4.510.236	872.477	1.455.484	428.403	146.778	718.079
End of the period <sup>(3)</sup>	889.474	4.510.236	2.166.612	1.455.484	1.376.854	146.778
<b>Total profit / (loss)<sup>(4)</sup></b>	<b>(15.537)</b>	<b>3.093</b>	<b>(61.482)</b>	<b>(78.613)</b>	<b>10.569</b>	<b>(743)</b>
<b>Transactions for hedging purposes<sup>(2)</sup></b>						
Beginning of the period <sup>(3)</sup>	-	-	-	-	-	-
End of the period <sup>(3)</sup>	-	-	-	-	-	-
<b>Total profit / (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

(2) The Bank's derivative instruments are classified as "at Fair Value Through Profit or Loss" or "for Hedging Purposes" according to TAS 39.

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

(4) Prior period columns include the profit / loss figures as of September 30, 2015.

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

Salaries and benefits paid to the Bank's top management amount to TL 39.251 as of September 30, 2016 (September 30, 2015 – TL 35.451).

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

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

**IX. Explanations and notes related to subsequent events:**

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

## **Section Six**

### **Explanations on independent review report**

#### **I. Explanations on independent auditor's review report**

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

#### **II. Explanations and notes prepared by independent auditor**

None.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Section Seven<sup>(1)</sup>**

**Information on interim activity report**

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

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

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

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

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

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

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

Y. Ali Koç  
Chairman of the Board

(1) Unless otherwise stated amounts are expressed in Turkish Lira in section seven.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information on interim activity report (continued)**

**2. Message from Yapı Kredi's CEO Faik Açıklalın:**

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

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

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

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

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

H. Faik Açıklalın  
CEO



(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information on interim activity report (continued)**

**3. Overview of Financial Performance:**

On 2 November 2016, Yapı Kredi announced unconsolidated results for the first nine months of 2016 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 218,2 billion while total deposits rose to TL 135,6 billion. The Bank's Capital Adequacy Ratio rose to 15,0% and bank-only net income was recorded as TL 2,4 billion.

**Ensued volume growth**

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

The Bank recorded 6% year-to-date growth in loans in line with private banks, to TL 155,6 billion. The Bank's deposit growth was slightly higher than loan growth at 7% year-to-date in line with private banks, to TL 135,6 billion. Demand deposits, a strong focus area for the bank, increased by 11% year-to-date compared to 8% growth among private banks. As a result, the Bank was able to lower its loan-to-deposits plus TL bonds ratio to 113% compared to the end of 2015 at 114%, thanks to faster growth in deposits compared to loans.

In terms of funding, the Bank successfully renewed its syndicated loan in October 2016 with the participation of 33 banks from 14 countries and a roll over ratio of 96%. The loan facility has US\$233,5 million and €817,3 million tranches with a cost of Libor+1,10% and Euribor+1,00% per annum.

**Continued improvement in capital ratios**

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

**Core banking driven strong performance**

In the first nine months of 2016, Yapı Kredi increased its total revenues by 25% year-over-year, in line with sector. On the other hand, continued discipline in cost management was evident with cost growth of 9%. Accordingly, cost/income ratio was realised at 43%.

**Asset quality resilient in the context of the macroeconomic environment**

Parallel to the banking sector, Yapı Kredi's asset quality was impacted by the volatile operating environment in the third quarter of 2016. Accordingly non-performing loans ratio was realized at 4,8% and specific coverage ratio at 77%.

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information on interim activity report (continued)**

**4. Summary of Unconsolidated Financials**

TL million	Current Period	Prior Period
Total Assets	231.167	220.369
Total Loans	155.633	147.274
Total Deposits	135.634	126.909
Shareholders' Equity	25.021	23.084
Loans/Assets	67%	67%
Deposits/Assets	59%	58%
NPL	4,79%	4,00%
CAR	15,0%	13,8%
TL million	Current Period	Prior Period
Net Profit	2.363	1.226
Return on Average Tangible Equity	14,03%	8,17%

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

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

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note I. of Section three)

**Yapı ve Kredi Bankası A.Ş.**

**Notes to unconsolidated financial statements as of September 30, 2016**

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

**Information on interim activity report (continued)**

**6. Current Trends and Expectations for the Upcoming Period:**

2016 macro and banking sector expectations:

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

2016 Yapı Kredi expectations:

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