

Yapı ve Kredi Bankası A.Ş.

Publicly announced unconsolidated financial statements and related disclosures at June 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 June 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 six-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 June 30, 2016, and the results of its operations and its cash flows for the six-month-period then ended in all material aspects in accordance with the BRSA Accounting and 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



July 29, 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 JUNE 30, 2016**

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

- GENERAL INFORMATION ABOUT THE 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 six 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 KIZILER
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
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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 June 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 June 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%.

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Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 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 June 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:

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

Audit Committee Members:

Name	Responsibility
Mirko D. G. BIANCHI	Chairman
Adil Giray ÖZTOPRAK	Member
Giovanna VILLA ⁽¹⁾	Member

(1) Based on the decision of Board of Directors dated June 29, 2016, Giovanna Villa is elected as the the Audit Committee member instead of F. Füsün Akkal Bozok whose term of office has expired due to the legally allowed time limit.

General Manager and Deputy General Manager:

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

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Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 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
Stefano PERAZZINI	Internal Audit / Chief Audit Executive
Wolfgang SCHILK ⁽¹⁾	Risk Management
Yakup DOĞAN	Alternative Distribution Channels
Zeynep Nazan SOMER ÖZELGİN	Retail Banking Management

(1) Based on the decision of Board of Directors dated June 17, 2016, an application is to be made to the BRSA to receive confirmation to appoint Patrick Josef Schmitt as Chief Risk Officer instead of Wolfgang Schilk who will be in another position within UniCredit Group effective from September 1, 2016.

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 June 30, 2016, the Bank has 981 branches operating in Turkey and 1 branch overseas (December 31, 2015 – 999 branches operating in Turkey, 1 branch in overseas).

As of June 30, 2016, the Bank has 18.532 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 June 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 of the Preparation Consolidated Financial Statements and Turkish Accounting Standards, Banque de Commerce et de Placements SA, one of the associates of the Bank, and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı, an entity under common control, are consolidated through "Equity Method" in the 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 of Preparation of Consolidated Financial Statements since these entities are not financial institutions.

All other subsidiaries are fully consolidated.

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

None.

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of June 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 (30/06/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	5.364.622	22.814.506	28.179.128	3.463.665	23.530.921	26.994.586
II. Financial assets at fair value through profit or (loss) (net)	I-b	1.170.682	508.528	1.679.210	1.537.120	232.190	1.769.310
2.1 Trading financial assets		1.170.682	508.528	1.679.210	1.537.120	232.190	1.769.310
2.1.1 Government debt securities		27.657	40.743	68.400	51.814	14.492	66.106
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		1.143.025	467.785	1.610.810	1.485.506	217.698	1.703.204
2.1.4 Other marketable securities	I-c	-	-	-	-	-	-
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-c	19.647	1.927.676	1.947.323	25.591	1.311.553	1.337.144
IV. Money markets		-	-	-	155.270	130.845	286.115
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Receivables from İMKB		-	-	-	155.270	130.845	286.115
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. Financial assets available-for-sale (net)	I-d,e	17.505.649	3.401.780	20.907.429	18.578.877	4.169.752	22.748.629
5.1 Share certificates		6.330	48.808	55.138	6.272	210.639	216.911
5.2 Government debt securities		16.675.212	2.123.827	18.799.039	17.759.935	2.620.248	20.380.183
5.3 Other marketable securities		824.107	1.229.147	2.053.254	812.470	1.338.865	2.151.335
VI. Loans and receivables	I-f	102.666.215	54.841.207	157.507.422	98.112.274	50.666.908	148.779.182
6.1 Loans and receivables		101.085.094	54.557.332	155.642.426	96.690.031	50.584.078	147.274.109
6.1.1 Loans to bank's risk group		1.218.467	428.584	1.647.051	1.579.808	88.851	1.668.659
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		99.866.627	54.128.748	153.995.375	95.110.223	50.495.227	145.605.450
6.2 Loans under follow-up		6.634.659	513.917	7.148.576	5.618.346	513.394	6.131.740
6.3 Specific provisions (-)		(5.053.538)	(430.042)	(5.483.580)	(4.196.103)	(430.564)	(4.626.667)
VII. Factoring receivables		-	-	-	-	-	-
VIII. Held-to-maturity investments (net)	I-g	1.935.753	4.762.510	6.698.263	1.920.297	4.469.335	6.389.632
8.1 Government debt securities		1.935.753	4.762.510	6.698.263	1.920.297	4.469.335	6.389.632
8.2 Other marketable securities		-	-	-	-	-	-
IX. Investments in associates (net)	I-ğ	4.503	351.761	356.264	4.503	338.140	342.643
9.1 Consolidated based on equity method		-	-	-	-	-	-
9.2 Unconsolidated		4.503	351.761	356.264	4.503	338.140	342.643
9.2.1 Investments in financial associates		-	351.761	351.761	-	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	2.308.062	1.454.352	3.762.414	2.233.990	1.387.746	3.621.736
10.1 Unconsolidated financial subsidiaries		2.300.762	1.454.352	3.755.114	2.226.890	1.387.746	3.614.636
10.2 Unconsolidated non-financial subsidiaries		7.300	-	7.300	7.300	-	7.300
XI. Joint ventures (net)	I-ı	18.892	-	18.892	20.851	-	20.851
11.1 Accounted based on equity method		-	-	-	-	-	-
11.2 Unconsolidated		18.892	-	18.892	20.851	-	20.851
11.2.1 Financial joint ventures		18.892	-	18.892	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	447.258	-	447.258	948.859	6.268	955.127
13.1 Fair value hedge		118.386	-	118.386	251.230	-	251.230
13.2 Cash flow hedge		328.872	-	328.872	697.629	6.268	703.897
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	2.691.336	-	2.691.336	2.693.901	-	2.693.901
XV. Intangible assets (net)	I-l	1.493.343	-	1.493.343	1.489.434	-	1.489.434
15.1 Goodwill		979.493	-	979.493	979.493	-	979.493
15.2 Other		513.850	-	513.850	509.941	-	509.941
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset		11.220	-	11.220	-	-	-
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		11.220	-	11.220	-	-	-
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	152.694	-	152.694	151.010	-	151.010
18.1 Held for sale purposes		152.694	-	152.694	151.010	-	151.010
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	1.842.927	2.158.080	4.001.007	1.388.350	1.401.970	2.790.320
Total assets		137.832.803	92.020.400	229.653.203	132.723.792	87.645.628	220.369.420

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 June 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 (30/06/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	72.300.046	62.069.371	134.369.417	67.190.566	59.718.327	126.908.893
1.1 Deposits of the Bank's risk group		8.556.749	10.072.357	18.629.106	7.510.140	8.171.531	15.681.671
1.2 Other		63.743.297	51.997.014	115.740.311	59.680.426	51.546.796	111.227.222
II. Derivative financial liabilities held for trading	II-b	1.200.202	455.870	1.656.072	1.822.210	231.296	1.853.506
III. Funds borrowed	II-c	579.796	24.333.909	24.913.705	653.865	22.961.865	23.615.730
IV. Money markets		9.899.153	290.104	10.189.257	10.129.554	2.185.366	12.294.940
4.1 Funds from interbank money market		1.887.472	-	1.887.472	1.887.563	-	1.887.563
4.2 Funds from IMKB		2.201	-	2.201	-	-	-
4.3 Funds provided under repurchase agreements		8.009.480	290.104	8.299.584	8.241.991	2.185.366	10.407.377
V. Marketable securities issued (net)	II-c	1.998.900	6.483.684	8.482.584	2.769.469	6.798.094	9.567.563
5.1 Bills		1.423.046	310.063	1.733.111	2.106.752	451.305	2.558.057
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		575.852	6.173.621	6.749.473	662.717	6.346.789	7.009.506
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		8.777.675	918.119	9.695.994	7.871.009	1.267.139	9.138.148
VIII. Other liabilities	II-ç	2.668.867	608.320	3.277.187	1.787.460	890.731	2.678.191
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables (net)	II-d	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	-	-	-	-	-
XI. Derivative financial liabilities held for hedging	II-e	333.547	272.008	605.555	38.814	108.660	147.474
11.1 Fair value hedge		7.180	-	7.180	3.427	-	3.427
11.2 Cash flow hedge		326.367	272.008	598.375	35.387	108.660	144.047
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-f	3.089.292	1.102.228	4.191.520	2.866.013	985.521	3.851.534
12.1 General loan loss provision		1.806.577	1.022.466	2.829.033	1.658.831	913.159	2.571.990
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		296.057	-	296.057	268.166	-	268.166
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		986.668	79.772	1.066.430	939.016	72.362	1.011.378
XIII. Tax liability	II-g	508.557	-	508.557	594.239	-	594.239
13.1 Current tax liability		508.557	-	508.557	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	-	7.455.587	7.455.587	-	6.635.191	6.635.191
XVI. Shareholders' equity	II-ı	23.377.293	930.475	24.307.768	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		3.718.965	930.475	4.649.440	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		740.393	1.186.472	1.926.865	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)		(225.096)	(255.997)	(481.093)	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)		1.552.138	-	1.552.138	1.860.545	-	1.860.545
16.4.1 Prior years' income or (loss)		-	-	-	-	-	-
16.4.2 Current year income or (loss)		1.552.138	-	1.552.138	1.860.545	-	1.860.545
Total liabilities and shareholders' equity		124.733.528	104.919.675	229.653.203	117.306.844	103.062.576	220.369.420

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

GÖNEY BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.
Maslak Mahallesi Şişli/Beşiktaş Caddesi No:27
Daire:54-57-59 Kat:2-3-4 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.

Unconsolidated financial statements as of June 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 (30/06/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
A. Off-balance sheet commitments (I-II-III)		157.823.140	202.717.249	360.540.389	158.883.297	208.585.077	367.468.374
I. Guarantees and warranties	III-a-2,3	20.001.842	41.454.651	61.456.493	18.076.523	38.964.548	57.041.071
1.1 Letters of guarantee		19.963.339	27.683.051	47.646.400	18.031.594	26.932.137	44.963.731
1.1.1 Guarantees subject to state tender law		492.483	1.006.587	1.499.070	522.480	1.134.886	1.657.366
1.1.2 Guarantees given for foreign trade operations		2.660.457	25.676.474	28.336.931	2.329.832	25.797.251	28.127.083
1.1.3 Other letters of guarantee		16.810.399	-	16.810.399	15.179.282	-	15.179.282
1.2 Bank acceptances		-	181.179	181.179	-	173.524	173.524
1.2.1 Import letter of acceptance		-	181.179	181.179	-	173.524	173.524
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		893	8.743.454	8.744.347	11.483	7.636.526	7.648.009
1.3.1 Documentary letters of credit		893	8.743.454	8.744.347	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		37.610	1.307.542	1.345.152	33.446	1.430.529	1.463.975
1.9 Other warranties		-	3.539.415	3.539.415	-	2.791.832	2.791.832
II. Commitments	III-a-1	66.684.667	26.354.253	83.038.820	60.273.748	26.213.733	86.487.481
2.1 Irrevocable commitments		56.059.201	18.387.921	74.447.122	59.611.290	19.308.750	78.920.040
2.1.1 Asset purchase and sale commitments		8.195.290	17.111.023	25.306.313	13.018.015	17.850.821	30.868.836
2.1.2 Deposit purchase and sales commitments		442	71	513	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4 Loan granting commitments		7.655.202	1.051.972	8.707.174	7.816.459	1.266.554	9.083.013
2.1.5 Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheques		6.690.759	-	6.690.759	6.521.085	-	6.521.085
2.1.8 Tax and fund liabilities from export commitments		5.737	-	5.737	6.376	-	6.376
2.1.9 Commitments for credit card limits		29.351.694	-	29.351.694	28.304.464	-	28.304.464
2.1.10 Commitments for credit cards and banking services promotions		16.096	-	16.096	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		4.143.981	224.855	4.368.836	3.931.081	189.375	4.120.456
2.2 Revocable commitments		625.366	7.966.332	8.591.698	662.458	6.904.983	7.567.441
2.2.1 Revocable loan granting commitments		625.366	7.966.332	8.591.698	662.458	6.904.983	7.567.441
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. Derivative financial instruments	III-b-c	81.136.731	134.908.345	216.045.078	80.533.026	143.406.798	223.939.822
3.1 Derivative financial instruments for hedging purposes		30.149.741	18.905.866	49.055.607	27.698.936	30.810.144	58.509.080
3.1.1 Transactions for fair value hedge		422.791	556.927	979.718	571.986	823.018	1.395.004
3.1.2 Transactions for cash flow hedge		29.726.950	18.348.939	48.075.889	27.126.950	29.987.126	57.114.076
3.1.3 Transactions for foreign net investment hedge		-	-	-	-	-	-
3.2 Trading transactions		50.986.990	116.002.479	166.989.469	52.834.090	112.596.652	165.430.742
3.2.1 Forward foreign currency buy/sell transactions		5.479.267	7.538.092	13.117.359	3.482.444	6.095.245	9.577.689
3.2.1.1 Forward foreign currency transactions-buy		2.248.352	4.176.694	6.424.046	1.038.783	3.677.607	4.716.380
3.2.1.2 Forward foreign currency transactions-sell		3.230.915	3.462.398	6.693.313	2.443.661	2.417.638	4.861.299
3.2.2 Swap transactions related to foreign currency and interest rates		27.117.812	79.053.922	106.171.834	38.264.411	87.202.512	125.466.923
3.2.2.1 Foreign currency swap-buy		8.179.712	27.055.215	35.234.927	8.559.166	36.806.078	45.365.244
3.2.2.2 Foreign currency swap-sell		18.438.200	16.940.209	35.378.409	29.705.245	16.146.254	45.851.499
3.2.2.3 Interest rate swap-buy		250.000	17.529.249	17.779.249	-	17.125.090	17.125.090
3.2.2.4 Interest rate swap-sell		250.000	17.529.249	17.779.249	-	17.125.090	17.125.090
3.2.3 Foreign currency, interest rate and securities options		7.743.242	12.256.951	19.999.193	6.682.132	8.561.247	15.243.379
3.2.3.1 Foreign currency options-buy		2.908.417	6.223.708	9.130.125	1.973.220	4.682.792	6.655.712
3.2.3.2 Foreign currency options-sell		4.836.825	4.523.281	9.360.106	3.208.912	3.501.087	6.709.999
3.2.3.3 Interest rate options-buy		-	754.481	754.481	750.000	188.834	938.834
3.2.3.4 Interest rate options-sell		-	754.481	754.481	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		10.646.569	17.054.514	27.701.083	4.405.103	10.737.648	15.142.751
B. Custody and pledges received (IV+V+VI)		442.996.386	218.516.213	661.471.699	242.962.083	66.546.734	308.507.817
IV. Items held in custody		260.896.656	162.058.336	412.951.890	76.564.370	7.734.979	84.299.349
4.1 Customer fund and portfolio balances		-	-	-	-	-	-
4.2 Investment securities held in custody		239.595.125	151.411.318	391.006.443	57.175.411	6.775.452	63.950.863
4.3 Checks received for collection		16.565.286	122.679	16.687.965	15.576.521	145.317	15.721.838
4.4 Commercial notes received for collection		4.694.369	480.922	5.175.291	3.770.683	774.018	4.544.681
4.5 Other assets received for collection		-	34.354	34.354	-	34.137	34.137
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		41.775	6.062	47.837	41.775	6.055	47.830
4.8 Custodians		-	-	-	-	-	-
V. Pledges received		178.086.245	66.702.449	243.788.694	162.367.478	67.056.676	219.424.054
5.1 Marketable securities		178.470	321	178.791	185.826	322	186.148
5.2 Guarantee notes		1.059.325	238.585	1.307.910	1.063.319	271.797	1.335.116
5.3 Commodity		28.445	-	28.445	21.095	-	21.095
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		96.895.871	56.471.743	153.367.614	88.195.061	45.270.237	133.465.298
5.6 Other pledged items		79.914.134	8.986.625	88.900.759	72.902.177	11.509.026	84.411.203
5.7 Pledged items-depository		-	5.175	5.175	-	5.194	5.194
VI. Accepted independent guarantees and warranties		3.973.666	767.429	4.731.016	4.030.236	764.179	4.784.414
Total off-balance sheet commitments (A+B)		600.779.626	421.232.462	1.022.011.988	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 June 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 30/06/2016)	Prior Period (01/01/2015 30/06/2015)
I.	Interest Income	IV-a	8.683.750	7.182.510
1.1	Interest on loans	IV-a-1	7.411.925	5.949.344
1.2	Interest received from reserve deposits		58.891	10.974
1.3	Interest received from banks	IV-a-2	18.424	48.698
1.4	Interest received from money market transactions		4.272	26.943
1.5	Interest received from marketable securities portfolio	IV-a-3	1.188.282	1.145.864
1.5.1	Trading financial assets		3.484	4.715
1.5.2	Financial assets at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		936.146	943.540
1.5.4	Held to maturity investments		248.652	197.609
1.6	Financial lease income		-	-
1.7	Other interest income		1.956	687
II.	Interest expense	IV-b	(5.090.060)	(3.982.115)
2.1	Interest on deposits	IV-b-4	(3.927.837)	(2.977.364)
2.2	Interest on funds borrowed	IV-b-1	(455.816)	(427.539)
2.3	Interest expense on money market transactions		(398.978)	(257.830)
2.4	Interest on securities issued	IV-b-3	(300.195)	(308.320)
2.5	Other interest expenses		(7.234)	(11.062)
III.	Net interest income (I + II)		3.593.690	3.200.395
IV.	Net fees and commissions income		1.459.705	1.244.115
4.1	Fees and commissions received		1.816.770	1.571.069
4.1.1	Non-cash loans		234.731	188.548
4.1.2	Other	IV-i	1.582.039	1.382.521
4.2	Fees and commissions paid		(357.065)	(326.954)
4.2.1	Non-cash loans		(75)	(265)
4.2.2	Other		(356.990)	(326.689)
V.	Dividend income	IV-c	1	2.971
VI.	Trading gain/(loss) (net)	IV-ç	42.467	(335.541)
6.1	Trading gains/(losses) on securities		52.495	169.033
6.2	Derivative financial transactions gains/(losses)		(898.979)	(48.466)
6.3	Foreign exchange gains/(losses)		888.951	(456.108)
VII.	Other operating income	IV-d	438.586	404.653
VIII.	Total operating income (III+IV+V+VI+VII)		5.534.449	4.616.593
IX.	Provision for impairment of loans and other receivables (-)	IV-e	(1.368.354)	(1.245.895)
X.	Other operating expenses (-)	IV-f	(2.457.451)	(2.282.456)
XI.	Net operating income/(loss) (VIII-IX-X)		1.708.644	988.242
XII.	Excess amount recorded as income after merger		-	-
XIII.	Income/(loss) from investments accounted based on equity method		220.577	177.533
XIV.	Income/(loss) on net monetary position		-	-
XV.	Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)	IV-g	1.929.221	1.165.775
XVI.	Tax provision for continuing operations (±)	IV-ğ	(377.083)	(257.939)
16.1	Current tax provision		(441.782)	(141.254)
16.2	Deferred tax provision		64.699	(116.685)
XVII.	Net profit/loss from continuing operations (XV±XVI)		1.552.138	907.836
XVIII.	Income from discontinued operations		-	-
18.1	Income from non-current assets held for resale		-	-
18.2	Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3	Other income from discontinued operations		-	-
XIX.	Expenses from discontinued operations (-)		-	-
19.1	Expenses for non-current assets held for resale		-	-
19.2	Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3	Other expenses from discontinued operations		-	-
XX.	Profit/losses before taxes from discontinued operations (XVIII-XIX)	IV-g	-	-
XXI.	Tax provision for discontinued operations (±)	IV-ğ	-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII.	Net profit/loss (XVII+XXII)	IV-h	1.552.138	907.836
	Earnings/(loss) per share (full TL)		0,0036	0,0021

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 June 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 (01/04/2016 30/06/2016)	Prior Period (01/04/2015 30/06/2015)
I.	Interest Income	IV-a	4.291.398	3.802.063
1.1	Interest on loans	IV-a-1	3.763.985	3.085.945
1.2	Interest received from reserve deposits		28.146	9.823
1.3	Interest received from banks	IV-a-2	8.536	2.736
1.4	Interest received from money market transactions		1.220	14.590
1.5	Interest received from marketable securities portfolio	IV-a-3	488.999	688.789
1.5.1	Trading financial assets		958	2.872
1.5.2	Financial assets at fair value through profit or (loss)		-	-
1.5.3	Available-for-sale financial assets		365.750	579.930
1.5.4	Held to maturity investments		122.291	105.987
1.6	Financial lease income		-	-
1.7	Other interest income		512	180
II.	Interest expense	IV-b	(2.518.934)	(2.024.229)
2.1	Interest on deposits	IV-b-4	(1.939.508)	(1.496.874)
2.2	Interest on funds borrowed	IV-b-1	(244.184)	(212.803)
2.3	Interest expense on money market transactions		(189.783)	(154.318)
2.4	Interest on securities issued	IV-b-3	(143.638)	(157.184)
2.5	Other interest expenses		(1.821)	(3.050)
III.	Net Interest Income (I + II)		1.772.464	1.777.834
IV.	Net fees and commissions income		743.545	650.777
4.1	Fees and commissions received		923.021	830.122
4.1.1	Non-cash loans		118.276	92.701
4.1.2	Other	VI-I	804.745	737.421
4.2	Fees and commissions paid		(179.476)	(179.345)
4.2.1	Non-cash loans		(29)	(32)
4.2.2	Other		(179.447)	(179.313)
V.	Dividend income	IV-c	1	510
VI.	Trading gain/(loss) (net)	IV-ç	27.534	(266.752)
6.1	Trading gains/(losses) on securities		17.450	34.452
6.2	Derivative financial transactions gains/(losses)		(258.011)	314.230
6.3	Foreign exchange gains/(losses)		288.095	(615.434)
VII.	Other operating income	IV-d	313.533	143.967
VIII.	Total operating income (III+IV+V+VI+VII)		2.857.077	2.306.326
IX.	Provision for impairment of loans and other receivables (-)	IV-e	(669.924)	(695.430)
X.	Other operating expenses (-)	IV-f	(1.258.098)	(1.166.193)
XI.	Net operating income/(loss) (VIII-IX-X)		929.055	444.703
XII.	Excess amount recorded as income after merger		-	-
XIII.	Income/(loss) from investments accounted based on equity method		112.800	87.412
XIV.	Income/(loss) on net monetary position		-	-
XV.	Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)	IV-g	1.041.855	532.115
XVI.	Tax provision for continuing operations (±)	IV-g	(194.004)	(125.035)
16.1	Current tax provision		(208.496)	(134.571)
16.2	Deferred tax provision		14.492	9.536
XVII.	Net profit/loss from continuing operations (XV±XVI)		847.851	407.080
XVIII.	Income from discontinued operations		-	-
18.1	Income from non-current assets held for resale		-	-
18.2	Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3	Other income from discontinued operations		-	-
XIX.	Expenses from discontinued operations (-)		-	-
19.1	Expenses for non-current assets held for resale		-	-
19.2	Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3	Other expenses from discontinued operations		-	-
XX.	Profit/losses before taxes from discontinued operations (XVIII-XIX)	IV-g	-	-
XXI.	Tax provision for discontinued operations (±)	IV-g	-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII.	Net profit/loss (XVII+XXII)	IV-h	847.851	407.080
	Earnings/(loss) per share (full TL)		0,0020	0,0009

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 June 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

Income and expense items accounted under shareholders' equity		Current Period (30/06/2016)	Prior Period (30/06/2015)
I.	Transfers to marketable securities valuation differences from financial assets available for sale	447.467	(839.094)
II.	Property and equipment revaluation differences	-	1.484.554
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	1.901	11.011
V.	Profit/loss on cash flow hedges (effective part of the fair value changes)	(859.371)	605.375
VI.	Profit/loss on foreign net investment hedges (effective part of the fair value changes)	(9.090)	-
VII.	Effects of changes in accounting policy and adjustment of errors	-	-
VIII.	Other income and expense items accounted under shareholders' equity according to TAS	30.257	126.537
IX.	Deferred tax on valuation differences	60.455	(29.746)
X.	Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	(328.381)	1.358.637
XI.	Current year profit/loss	1.552.138	907.836
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	261.631	172.285
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	10.278	(91.682)
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4	Other	1.280.229	827.233
XII.	Total income/loss accounted for the period (X+XI)	1.223.757	2.266.473

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 June 30, 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. Statement of changes in shareholders' equity

Prior Period	Note (Section five)	Paid- in capital	Adjustment to share capital	Share premium	Share cancellation profits	Legal reserves	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 Hedging investments funds	Assets held for resale/ discouraged operations revaluation fund	Total shareholders' equity
June 30, 2015		4,347,051	-	543,881	-	641,000	-	9,816,284	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	-	543,881	-	641,000	-	9,816,284	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											(671,275)				(671,275)
VII.	Hedging transactions (effective portion)															484,300
6.1	Cash flow hedge															484,300
6.2	Foreign net investment hedge															
VIII.	Property and equipment revaluation differences												1,410,327			1,410,327
IX.	Intangible assets revaluation differences															
X.	Bonus shares from investments in associates, subsidiaries and joint ventures															
XI.	Foreign exchange differences											27,664				27,664
XII.	Changes due to the disposal of assets															
XIII.	Changes due to the reclassification of assets															
XIV.	Effect of the changes in equity of investment in associates															
14.1	Capital increase															
14.2	Cash increase															
XV.	Internal resources															
XVI.	Share premium															
XVII.	Share cancellation profits															
XVIII.	Paid in-capital inflation adjustment difference															
XVIII.	Other								322	(211,545)						322
XIX.	Current year income or loss									907,836						907,836
XX.	Profit distribution								1,332,957	(1,844,966)						(400,000)
20.1	Dividend paid					110,512		1,332,957	1,467	(400,000)						(400,000)
20.2	Transfers to reserves									(1,444,966)						(1,444,966)
20.3	Other															
Period end balance (III+IV+V+.....+XVIII+XIX+XX)		4,347,051	-	543,881	-	761,512	-	11,148,251	1,176,043	907,836	-	1,597,243	1,428,812	15,107	166,436	22,084,172

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 June 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 cancellation premium	Share profits	Legal reserves	Status reserves	Extra ord. reserves	Other	Current period net income/(loss)	Prior period net income /(loss)	Marketable securities		Property and equipment and intangible assets		Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations		Total shareholders' equity		
													Increase fund	Decrease fund	Revaluation fund	Revaluation fund			Revaluation fund	Revaluation fund			
I.	June 30, 2016		4,347,051	-	543,881	-	751,512	-	11,148,231	1,194,298	1,860,545	-	1,560,959	1,449,056	15,107	213,351	-	-	23,084,015				
	Changes in the period																						
II.	Increase/decrease due to the merger																						
III.	Marketable securities valuation differences													334,588							334,588		
IV.	Hedging transactions (effective portion)																				(687,497)		
4.1	Cash flow hedge																				(687,497)		
4.2	Foreign net investment hedge																				(7,272)		
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													1,196								58	
IX.	Changes due to the disposal of assets																					1,521	
X.	Changes due to the reclassification of assets																						
XI.	Effect of the changes in equity of investment in associates													30,122									30,122
XII.	Capital increase																						
12.1	Cash increase																						
12.2	Internal resources																						
XIII.	Share premium																						
XIV.	Share cancellation profits																						
XV.	Paid in-capital inflation adjustment difference																						
XVI.	Other																						
XVII.	Current year income or loss									99	1,552,138											99	
XVIII.	Profit distribution									2,620	(1,860,545)												
18.1	Dividend paid						93,027		1,764,898	2,620	(1,860,545)												
18.2	Transfers to reserves						93,027		1,764,898	2,620	(1,860,545)												
18.3	Other																						
	Period end balance (I+II+III+...+XVI+XVII+XVIII)		4,347,051	-	543,881	-	844,539	-	12,513,149	1,197,017	1,552,138	-	1,926,855	1,449,056	15,165	(481,093)	-	-	-	24,307,768			

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 June 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 (30/06/2016)	Prior Period (30/06/2015)
A. Cash flows from banking operations			
1.1 Operating profit before changes in operating assets and liabilities		2.713.698	1.995.375
1.1.1 Interest received		8.108.431	7.396.532
1.1.2 Interest paid		(4.996.316)	(3.979.122)
1.1.3 Dividend received		98.361	114.201
1.1.4 Fees and commissions received		1.816.770	1.571.069
1.1.5 Other income		64.391	402.975
1.1.6 Collections from previously written-off loans and other receivables		465.028	642.263
1.1.7 Payments to personnel and service suppliers		(2.157.039)	(1.822.992)
1.1.8 Taxes paid		(535.821)	(213.691)
1.1.9 Other		(150.107)	(2.115.860)
1.2 Changes in operating assets and liabilities		(4.023.426)	1.831.031
1.2.1 Net (increase)/decrease in trading securities		(2.106)	(43.645)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(1.869.236)	(1.395.082)
1.2.4 Net (increase)/decrease in loans		(9.978.221)	(18.744.586)
1.2.5 Net (increase)/decrease in other assets		(1.177.636)	(805.716)
1.2.6 Net increase /(decrease) in bank deposits		(869.892)	1.136.594
1.2.7 Net increase /(decrease) in other deposits		8.237.205	16.649.718
1.2.8 Net increase /(decrease) in funds borrowed		(697.503)	5.604.337
1.2.9 Net increase /(decrease) in payables		-	-
1.2.10 Net increase /(decrease) in other liabilities		2.333.963	(570.589)
I. Net cash flows from banking operations		(1.309.728)	3.826.406
B. Cash flows from investing activities		-	-
II. Net cash flows from investing activities		2.140.711	(5.304.904)
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		(194.749)	(534.399)
2.4 Disposals of property and equipment		48.263	15.371
2.5 Purchase of investments available-for-sale		(8.688.119)	(14.071.624)
2.6 Sale of investments available-for-sale		11.306.913	9.295.707
2.7 Purchase of investment securities		(331.663)	(196)
2.8 Sale of investment securities		66	36
2.9 Other		-	-
C. Cash flows from financing activities		-	-
III. Net cash flows from financing activities		(1.198.488)	159.866
3.1 Cash obtained from funds borrowed and securities issued		6.588.356	4.158.566
3.2 Cash used for repayment of funds borrowed and securities issued		(7.785.875)	(3.597.778)
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	(400.000)
3.5 Payments for finance leases		(969)	(922)
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents		(2.529)	623.464
V. Net Increase in cash and cash equivalents (I+II+III+IV)		(370.034)	(695.168)
VI. Cash and cash equivalents at beginning of the period		8.319.936	9.201.195
VII. Cash and cash equivalents at end of the period	VI	7.949.902	8.506.027

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 June 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 June 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.

(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 June 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".

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 June 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 modeling system for the Value-at-Risk and basis points sensitivity analysis; the liquidity risks are monitored using the short term liquidity report on daily and the long term liquidity report on monthly basis.

According to the regulations of BRSA, 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 June 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.

(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 June 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.

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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.

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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.

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Accounting policies (continued)

XII. Explanations on goodwill and other intangible assets:

a. Goodwill:

The excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities or contingent liabilities of the acquired subsidiary at the date of acquisition of the control is recorded as goodwill and represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately 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:

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.

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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.

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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.

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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.

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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.

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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).

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XXII. Profit reserves and profit distribution:

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

XXIII. Earnings per share:

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

	Current Period	Prior Period
Net Income/(loss) from continuing operations to be appropriated to ordinary shareholders	1.552.138	907.836
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	0,0036	0,0021

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 - no bonus shares were issued).

XXIV. Related parties:

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

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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 14,57% (December 31, 2015 – 13,81%).

a. Information on equity:

	Current Period	Amounts subject to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
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	4.574.513	
Profit	1.552.138	
Net profit of the period	1.552.138	
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	
Common Equity Tier 1 capital before regulatory adjustments	24.791.887	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	7.999	
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	64.912	
Improvement costs for operating leasing	116.013	
Goodwill (net of related tax liability)	587.696	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	289.606	482.677
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	-	-
Securitisatıon 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	370.653	
The amount above threshold for mortgage servicing rights	-	
The amount above threshold for deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments which shall be determined by the BRSA	-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
Total regulatory adjustments to Common equity Tier 1	1.436.879	
Common Equity Tier 1 capital (CET1)	23.355.008	

(Convenience translation of publicly announced unconsolidated financial statements originally issued in Turkish, See Note 1. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 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 ⁽¹⁾
ADDITIONAL TIER 1 CAPITAL		
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the BRSA (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital: regulatory adjustments		
Investments in own Additional Tier 1 Instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not 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 (-)	584.868	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	-	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	22.770.140	-
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	4.499.548	-
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)	2.436.920	-
Tier 2 capital before regulatory adjustments	8.003.028	-
Tier 2 capital: regulatory adjustments		
Direct and indirect investments of the Bank on its own Tier 2 Capital (-)	-	-
Investments of the Bank to banks that invest on the Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8	96.569	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	96.569	-
Total Tier 2 capital	7.906.459	-
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	30.431.578	-
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	7.725	-
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	10.654	-
National specific regulatory adjustments which shall be determined by the BRSA	226.642	-
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

GÜNEY BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ
MALİ MUŞAVİRLİK A.Ş.

Maslak Mahallesi Eski Büyükdere Caddesi No:27
Daire:54-57-59 Kat:3/4 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 June 30, 2016

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

Information related to financial position of the Bank (continued)

OWN FUNDS	Current Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	30.431.578
Total Risk Weighted Assets	208.920.620
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	11,18
Tier 1 Capital Adequacy Ratio (%)	10,90
Capital Adequacy Ratio (%)	14,57
BUFFERS	
Institution specific buffer requirement of the Bank	5,504
Capital conservation buffer requirement (%)	0,625
Bank's specific countercyclical buffer requirement (%)	0,004
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 (%)	5,179
Amounts below the thresholds for deduction (before risk weighting)	
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	916.242
Applicable caps on the inclusion of provisions in Tier 2 capital	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.829.033
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2.436.920
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

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

(Convenience translation of publicly announced 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 June 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
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	4.347.051
Share premium	543.881
Share Cancellation Profits	-
Legal reserves	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
Common Equity Tier 1 capital before regulatory adjustments	23.136.772
Common Equity Tier 1 capital: regulatory adjustments	
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
Total regulatory adjustments to Common equity Tier 1	1.398.215
Common Equity Tier 1 capital	21.738.557
Additional Tier 1 capital instruments	
Privileged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	
Direct and indirect investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of 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 (-)	-
Total regulatory adjustments to Additional Tier 1 capital	-
Additional Tier 1 capital	-

(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 June 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
Regulatory adjustments to Common Equity	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	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 (-)	-
Tier 1 capital	20.862.559
Tier 2 capital	
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained after 1.1.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (Issued or Obtained before 1.1.2014)	5.224.563
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders	-
Generic Provisions	2.358.769
Tier 2 capital before regulatory adjustments	7.583.332
Tier 2 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of 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 (-)	-
Total regulatory adjustments to Tier 2 capital	-
Tier 2 capital	7.583.332
Total capital	28.445.891
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 (-)	-
Shareholders' equity	27.997.997
Amounts below the thresholds for deduction	922.860
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 1. of Section three)

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 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⁽¹⁾:

	1	2	3	4
Issuer	UNICREDIT BANK	UNICREDIT BANK	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	XS0861879407 US984848AE73	XS1376681067
Governing law(s) of the instrument	BRSA / Austria Law	BRSA / Austria Law	BRSA / CMB / LONDON STOCK EXCHANGE / English Law	English Law / Turkish Law
Regulatory treatment	No	No	Yes	No
Transitional Basel III rules	Stand-alone -Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone -Consolidated
Eligible at stand-alone / consolidated	Loan	Loan	Bond	Bond
Instrument type (Types to be specified by each jurisdiction)	1,693	1,360	1,067	1,417
Amount recognised in regulatory capital (Currency in mil. as of most recent reporting date)	1,693	1,360	2,894	1,417
Par value of instrument	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost	Liability - Subordinated Loans- amortised cost
Accounting classification	January 9, 2013	December 18, 2013	December 6, 2012	March 1, 2016
Original date of issuance	Dated	Dated	Dated	Dated
Perpetual or dated	10 years	10 years	10 years	10 years
Original maturity date	Yes	Yes	Yes	Yes
Issuer call subject to prior supervisory approval	After 5th year	After 5th year	After 5th year	After 5th year
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	-	-	-	-
Coupons / dividends	Fixed	Fixed	Fixed	Fixed
Fixed or floating dividend/coupon	5,7%	6,55%	5,5%	6,63%
Coupon rate and any related index	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, 8,5% coupon)	No interest accrue after the date of value decrease for the decreased amount
Existence of a dividend stopper	-	-	-	Mandatory
Fully discretionary, partially discretionary or mandatory	Noncumulative	Noncumulative	Noncumulative	Cumulative
Existence of step up or other incentive to redeem	Convertible or non-convertible	Convertible or non-convertible	Convertible or non-convertible	Convertible or non-convertible
Noncumulative or cumulative	Write-down feature	Write-down feature	Write-down feature	Write-down feature
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	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 incompliance with article number 7 and 8 of "Own fund regulation"	-	8-2-g	-	-

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

(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 June 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
Balance sheet evaluation rate	2,89360	3,20440
Current bid rate on the first date	2,91300	3,22620
Current bid rate on the second date	2,93650	3,24020
Current bid rate on the third date	2,92660	3,24440
Current bid rate on the fourth date	2,87990	3,27280
Current bid rate on the fifth date	2,90550	3,27760
Arithmetic average of the last 30 days:	2,91998	3,27763
Balance sheet evaluation rate as of prior period:	2,90760	3,17760

(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 June 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 ⁽⁴⁾	Total
Current Period				
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	4.464.708	13.770.689	4.579.109	22.814.506
Banks	423.274	1.457.747	46.655	1.927.676
Financial assets at fair value through profit or loss	114.134	393.292	1.102	508.528
Money market placements	-	-	-	-
Available-for-sale financial assets	604.816	2.596.644	200.320	3.401.780
Loans ⁽¹⁾	23.549.791	35.400.634	826.648	59.777.073
Investments in associates, subsidiaries and joint ventures	1.176.029	278.323	351.761	1.806.113
Held-to-maturity investments	160.753	4.601.757	-	4.762.510
Hedging derivative financial assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets ⁽²⁾	745.767	793.195	519.316	2.058.278
Total assets	31.239.272	59.292.281	6.524.911	97.056.464
Liabilities				
Bank deposits	581.002	98.905	80.735	760.642
Foreign currency deposits	23.669.865	36.024.121	1.614.743	61.308.729
Funds from money market	-	290.104	-	290.104
Funds borrowed from other financial institutions	10.535.982	13.738.254	59.673	24.333.909
Marketable securities issued	233.925	5.921.576	328.183	6.483.684
Miscellaneous payables	470.123	438.985	9.011	918.119
Hedging derivative financial liabilities	28.203	243.803	2	272.008
Other liabilities ⁽³⁾	294.519	8.250.193	54.837	8.599.549
Total liabilities	35.813.619	65.005.941	2.147.184	102.966.744
Net on-balance sheet position	(4.574.347)	(5.713.660)	4.377.727	(5.910.280)
Net off-balance sheet position⁽⁵⁾	4.699.925	5.667.058	(3.959.295)	6.407.688
Financial derivative assets	10.921.744	26.591.741	7.250.680	44.764.165
Financial derivative liabilities	6.221.819	20.924.683	11.209.975	38.356.477
Net Position	125.578	(46.602)	418.432	497.408
Non-cash loans	17.467.867	21.288.599	2.698.185	41.454.651
Prior Period				
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
Net on-balance sheet position	(5.113.623)	(6.203.904)	3.186.149	(8.131.378)
Net off-balance sheet position	5.228.155	6.228.183	(2.563.464)	8.892.874
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
Net Position	114.532	24.279	622.685	761.496
Non-cash loans	14.864.479	22.210.236	1.889.833	38.964.548

- (1) Includes FX indexed loans amounting to TL 5.135.866 (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 99.802 (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 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)

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Notes to unconsolidated financial statements as of June 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
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.100.327	-	-	-	-	11.078.801	28.179.128
Banks	603.134	189.345	12.385	-	-	1.142.459	1.947.323
Financial assets at fair value through profit/loss	369.100	301.489	248.761	360.581	399.279	-	1.679.210
Money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	2.300.523	5.158.395	6.562.337	3.262.904	3.480.390	142.880	20.907.429
Loans	27.184.252	18.531.597	48.110.203	50.313.332	11.503.042	1.664.996	157.307.422
Held-to-maturity investments	-	382.139	1.014.332	700.034	4.601.758	-	6.698.263
Other assets	166.915	280.343	-	-	-	12.487.170	12.934.428
Total assets	47.724.251	24.843.308	55.948.018	54.636.851	19.984.469	26.516.306	229.653.203
Liabilities							
Bank deposits	2.491.918	195.302	111.444	-	-	514.645	3.313.309
Other deposits	73.253.353	29.301.067	6.900.652	180.023	-	21.421.013	131.056.108
Funds from money market	9.943.440	245.817	-	-	-	-	10.189.257
Miscellaneous payables	-	-	-	-	-	9.695.994	9.695.994
Marketable securities issued	475.349	901.227	2.336.631	4.737.115	32.262	-	8.482.584
Funds borrowed from other financial institutions	5.168.275	12.316.537	6.193.383	248.178	987.332	-	24.913.705
Other liabilities ⁽¹⁾	578.087	766.696	472.821	374.941	7.524.669	32.285.032	42.002.246
Total liabilities	91.910.422	43.726.646	16.014.931	5.540.257	8.544.263	63.916.684	229.653.203
Balance sheet long position	-	-	39.933.087	49.096.594	11.440.206	-	100.469.887
Balance sheet short position	(44.186.171)	(18.883.338)	-	-	-	(37.400.378)	(100.469.887)
Off-balance sheet long position	7.766.669	14.766.422	-	-	-	-	22.533.091
Off-balance sheet short position	-	-	(926.530)	(15.953.025)	(6.372.052)	-	(23.251.607)
Total position	(36.419.502)	(4.116.916)	39.006.557	33.143.569	5.068.154	(37.400.378)	(718.516)

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

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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
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	17.087.214	-	-	-	-	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
Total assets	44.267.850	24.152.630	57.934.843	42.933.333	27.205.552	23.875.312	220.369.420
Liabilities							
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	11.802.440	146.864	245.636	-	-	-	12.294.940
Miscellaneous payables	-	-	-	-	-	9.138.148	9.138.148
Marketable securities issued	376.568	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 ⁽¹⁾	728.141	578.846	1,051,347	191,719	6,086,118	30,207,975	38,844,146
Total liabilities	87,548,238	47,730,526	12,560,358	6,658,629	6,938,398	58,933,271	220,369,420
Balance sheet long position	-	-	45,374,485	36,274,704	20,267,154	-	101,916,343
Balance sheet short position	(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)
Total position	(37,130,936)	(5,246,944)	38,754,715	22,093,247	16,935,021	(35,057,959)	(652,856)

(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
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,49	-	3,51
Banks	-	0,50	-	11,21
Financial assets at fair value through profit/loss	2,83	4,68	-	9,02
Money market placements	-	-	-	-
Available-for-sale financial assets	4,30	5,84	-	9,34
Loans	4,16	5,63	4,99	13,42
Held-to-maturity investments	5,20	5,43	-	10,64
Liabilities⁽¹⁾				
Bank deposits	0,52	-	-	9,73
Other deposits	1,39	2,28	1,46	11,33
Funds from money market	-	1,82	-	8,18
Miscellaneous payables	-	-	-	-
Marketable securities issued	0,96	5,21	0,55	9,81
Funds borrowed from other financial institutions	0,89	2,06	3,16	8,78

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

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Prior Period	EUR	USD	Yen	TL
	%	%	%	%
Assets⁽¹⁾				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	0,21	-	2,09
Banks	-	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
Liabilities⁽¹⁾				
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.

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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 ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			33.280.424	23.558.899
CASH OUTFLOWS				
Retail and Small Business Customers Deposits	62.922.427	23.768.659	5.487.349	2.376.849
Stable deposits	16.097.874	337	804.894	17
Less stable deposits	46.824.553	23.768.322	4.682.455	2.376.832
Unsecured Funding other than Retail and Small Business Customers Deposits	59.281.605	30.097.867	32.807.682	15.149.182
Operational deposits	-	-	-	-
Non-Operational Deposits	48.244.389	26.655.765	23.736.965	11.707.080
Other Unsecured Funding	11.037.216	3.442.102	9.070.717	3.442.102
Secured funding			8.505	8.505
Other Cash Outflows	13.126.012	9.616.792	13.126.012	9.616.792
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	13.126.012	9.616.792	13.126.012	9.616.792
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	55.373.020	35.947.960	2.768.651	1.797.398
Other irrevocable or conditionally revocable commitments	54.563.917	6.407.069	3.994.377	457.414
TOTAL CASH OUTFLOWS			58.192.676	29.406.140
CASH INFLOWS				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	16.052.904	5.057.560	10.091.283	4.102.857
Other contractual cash inflows	12.015.154	9.399.147	12.015.154	9.399.147
TOTAL CASH INFLOWS	28.068.058	14.456.707	22.106.437	13.502.004
			Capped Amounts	
TOTAL HIGH QUALITY LIQUID ASSETS			33.280.424	23.558.899
TOTAL NET CASH OUTFLOWS			36.086.139	16.904.136
Liquidity Coverage Ratio (%)			92,22	148,13

(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 (%)
Week	May 13, 2016	May 6, 2016	May 27, 2016	June 10, 2016
Ratio(%)	111,23	78,44	210,63	104,03

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PREVIOUS PERIOD	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			31.029.798	21.446.919
CASH OUTFLOWS				
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
TOTAL CASH OUTFLOWS			66.027.951	36.655.329
CASH INFLOWS				
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
TOTAL CASH INFLOWS	38.097.758	25.131.081	30.984.952	21.026.708
TOTAL HIGH QUALITY LIQUID ASSETS			31.029.798	21.446.919
TOTAL NET CASH OUTFLOWS			35.042.999	15.628.621
Liquidity Coverage Ratio (%)			88,55	137,23

(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 (%)
Week	November 27, 2015	December 4, 2015	October 23, 2015	December 31, 2015
Ratio(%)	116,83	82,13	170,42	99,16

Funding sources of the Bank mainly consist of deposits which constitute 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.

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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 (1),(2)	Total
Current Period								
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	2.304.447	25.874.681	-	-	-	-	-	28.179.128
Banks	1.142.459	603.134	189.345	12.385	-	-	-	1.947.323
Financial assets at fair value through profit or loss	-	113.435	219.675	402.900	543.097	400.103	-	1.679.210
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	87.744	9.540	860.649	869.684	7.218.195	11.806.481	55.136	20.907.429
Loans	-	24.365.891	12.410.189	38.100.084	61.138.134	19.628.128	1.664.996	157.307.422
Held-to-maturity investments	-	-	-	-	1.759.968	4.938.295	-	6.698.263
Other assets (1)	2.376.582	-	-	7.602	413.302	26.354	10.110.588	12.934.428
Total assets	5.911.232	50.966.681	13.679.858	39.392.656	71.072.696	36.799.361	11.830.720	229.653.203
Liabilities								
Bank deposits	514.645	2.491.918	195.302	111.444	-	-	-	3.313.309
Other deposits	21.421.013	73.253.353	29.301.067	6.900.652	180.023	-	-	131.056.108
Funds borrowed from other financial institutions	-	1.090.272	1.415.406	12.784.456	3.041.171	6.582.400	-	24.913.705
Funds from money market	-	9.943.440	245.817	-	-	-	-	10.189.257
Marketable securities issued	-	328.304	695.373	2,689.530	4,737.115	32.262	-	8,482,584
Miscellaneous payables	871.243	8,671,084	42,566	-	-	-	111,101	9,695,994
Other liabilities (2)	3,277,167	266,972	743,515	436,115	1,413,145	8,062,737	27,802,575	42,002,246
Total liabilities	26,084,088	96,045,343	32,639,046	22,922,197	9,371,454	14,677,399	27,913,676	229,653,203
Net liquidity gap	(20,172,856)	(45,078,662)	(18,959,188)	16,470,458	61,701,242	22,121,962	(16,082,956)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	1,047,794	(970,364)	487,903	60,486	102,695	-	718,514
Derivative Financial Liabilities	-	31,015,010	13,378,207	17,387,973	32,749,046	13,851,559	-	108,381,795
Non-Cash Loans	-	29,967,216	14,348,571	16,900,070	32,698,560	13,748,864	-	107,663,281
Non-Cash Loans	-	2,457,662	5,220,064	20,407,942	10,317,733	23,053,092	-	61,466,493
Prior Period								
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
Net liquidity gap	(18,399,537)	(42,635,224)	(20,065,107)	20,841,320	40,745,049	34,676,247	(15,162,748)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	739,346	(465,072)	(87,465)	21,532	(33,832)	-	174,508
Derivative Financial Liabilities	-	29,691,739	15,264,344	27,365,426	27,937,406	11,598,250	-	112,057,165
Non-Cash Loans	-	29,152,394	15,729,416	27,452,891	27,915,874	11,632,082	-	111,882,657
Non-Cash Loans	-	18,685,139	3,089,306	8,170,733	5,710,284	21,385,609	-	57,041,071

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

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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 ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	223.966.507	216.297.937
(Asset amounts deducted in determining Tier 1 capital)	(2.017.687)	(2.244.358)
Total on-Balance sheet exposures	221.948.820	214.053.579
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	158.174	901.494
Potential credit risk of derivative financial instruments and credit derivatives	2.477.604	2.393.778
Total derivative financial instruments and credit derivatives exposure	2.635.778	3.295.272
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	587.010	1.822.510
Agent transaction exposures	-	-
Total securities financing transaction exposures	587.010	1.822.510
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	145.703.024	151.800.162
(Adjustments for conversion to credit equivalent amounts)	(8.332.977)	(2.270.232)
Total risk of off-balance sheet items	137.370.047	149.529.930
Capital and total exposure		
Tier 1 capital	22.424.882	20.753.147
Total exposures	362.541.655	368.701.291
Leverage ratio		
Leverage ratio (%)	6,19	5,63

(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)	192.744.715	187.594.498	15.419.577
2 Of which standardised approach (SA)	192.744.715	187.594.498	15.419.577
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	2.208.900	2.475.585	176.712
5 Of which standardised approach for counterparty credit risk (SA-CCR)	2.208.900	2.475.585	176.712
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	857.066	998.270	68.565
17 Of which standardised approach (SA)	857.066	998.270	68.565
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	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	208.920.620	202.743.728	16.713.649

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

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Information related to financial position of the Bank (continued)

b. Credit quality of assets

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

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

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

Current Period	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	7.148.576	155.642.426	8.124.429	154.666.573
2 Debt Securities	-	27.618.956	-	27.618.956
3 Off-balance sheet exposures	615.851	135.287.764	306.446	135.597.169
4 Total	7.764.427	318.549.146	8.430.875	317.882.698

c. Changes in stock of defaulted loans and debt securities

	Current Period
1 Defaulted loans and debt securities at end of the previous reporting period	6.729.217
2 Loans and debt securities that have defaulted since the last reporting period	1.547.232
3 Returned to non-defaulted status	(27.863)
4 Amounts written off	(30)
5 Other changes	(484.129)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	7.764.427

ç. Credit risk mitigation techniques – overview

Current Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1 Loans	132.154.780	22.511.793	15.903.826	2.395.773	1.785.481	-	-
2 Debt securities	27.618.956	-	-	-	-	-	-
3 TOTAL	159.773.736	22.511.793	15.903.826	2.395.773	1.785.481	-	-
4 Of which defaulted	1.281.382	383.614	87.431	1.167	211	-	-

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

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Information related to financial position of the Bank (continued)

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

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks	52.552.686	142.398	54.246.234	324.801	15.116.616	27,70%
2 Exposures to regional governments or local authorities	-	835	-	167	84	50,30%
3 Exposures to public sector entities	32	843	32	169	40	19,90%
4 Exposures to multilateral development banks	24.093	8.942	24.093	6.569	-	-
5 Exposures to international organisations	-	-	-	-	-	-
6 Exposures to institutions	8.635.606	4.286.194	8.752.223	5.508.380	6.422.992	45,04%
7 Exposures to corporates	74.511.109	70.300.250	71.568.246	30.630.833	102.202.068	100,00%
8 Retail exposures	63.461.800	43.066.514	63.393.782	9.950.024	55.007.854	75,00%
9 Exposures secured by residential property	6.565.522	317.836	6.565.522	156.609	2.352.746	35,00%
10 Exposures secured by commercial real estate	6.909.633	500.656	6.909.633	315.302	3.612.467	50,00%
11 Past-due loans	7.047.680	-	1.606.809	-	1.510.820	94,03%
12 Higher-risk categories by the Agency Board	101.300	437.481	57.503	100.538	169.616	107,32%
13 Exposures in the form of covered bonds	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16 Other assets	9.457.461	100.750	9.457.461	20.150	4.736.259	49,97%
17 Investments in equities	3.822.051	-	3.822.051	-	3.822.053	100,00%
18 TOTAL	233.088.973	119.162.699	226.403.589	47.013.542	194.953.616	71,30%

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Information related to financial position of the Bank (continued)

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

Asset classes/ Risk weight*	Current Period										Total credit risk exposure amount (after CGF and CRM)			
	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%		1250%		
1 Exposures to central governments or central banks	24.337.803	-	-	-	30.233.232	-	-	-	-	-	-	-	-	54.571.035
2 Exposures to regional governments or local authorities	-	-	-	-	167	-	-	-	-	-	-	-	-	167
3 Exposures to public sector entities	-	-	201	-	-	-	-	-	-	-	-	-	-	201
4 Exposures to multilateral development banks	30.662	-	-	-	-	-	-	-	-	-	-	-	-	30.662
5 Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	3.325.870	-	10.353.831	-	580.902	-	-	-	-	-	-	14.260.603
7 Exposures to corporates	-	-	-	-	-	-	102.193.102	5.977	-	-	-	-	-	102.199.079
8 Retail exposures	-	-	-	-	-	73.343.806	-	-	-	-	-	-	-	73.343.806
9 Exposures secured by residential property	-	-	-	6.722.131	-	-	-	-	-	-	-	-	-	6.722.131
10 Exposures secured by commercial real estate	-	-	-	-	7.224.935	-	-	-	-	-	-	-	-	7.224.935
11 Past-due loans	-	-	-	-	576.747	-	645.292	384.770	-	-	-	-	-	1.606.809
12 Higher-risk categories by the Agency Board	-	-	-	-	46.284	-	42.321	68.436	-	-	-	-	-	158.041
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	4.539.848	-	-	-	-	-	3.822.051	-	-	-	-	-	-	3.822.051
17 Other assets	28.908.313	-	3.577.950	6.722.131	48.435.196	73.343.806	111.969.652	460.183	-	-	-	-	-	273.417.131
18 TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

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

Information related to financial position of the Bank (continued)

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

	Revaluation Cost	Potential credit risk exposure	EEPE ⁽¹⁾	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
Current Period						
1 Standart Approach-CCR	2.047.569	1.612.053	-	1,4	3.664.561	2.044.976
2 Internal Model Approach Simplified Standardised						
3 Approach for Credit Risk Mitigation						
4 Comprehensive Method for Credit Risk Mitigation					489.684	163.924
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6 Total						2.208.900

(1) Effective expected positive exposure

g. Credit valuation adjustment (CVA) capital charge

	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Current Period		
1 Total portfolio value with comprehensive approach CVA capital adequacy	-	-
2 (i) Value at risk component (3*multiplier included)	-	-
3 (ii) Stressed Value at Risk (3*multiplier included)	-	-
4 Total portfolio value with simplified approach CVA capital adequacy	4.154.245	2.208.900
5 Total amount of CVA capital adequacy	4.154.245	2.208.900

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Information related to financial position of the Bank (continued)

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

Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk ⁽¹⁾
1 Central governments and central banks receivables	162.165	-	-	-	-	-	-	-	162.165
2 Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
3 Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
4 Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
5 International Organisations receivables	-	-	-	-	-	-	-	-	-
6 Banks and Intermediary Institutions receivables	-	-	933.747	2.066.646	-	166.995	-	-	3.167.388
7 Corporate receivables	-	-	-	-	-	813.266	-	-	813.266
8 Retail receivables	-	-	-	-	11.426	-	-	-	11.426
9 Mortgage receivables	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	-	-	-
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-
13 Securitisation Positions	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16 Equity investments	-	-	-	-	-	-	-	-	-
17 Other receivables	-	-	-	-	-	-	-	-	-
18 Other assets	-	-	-	-	-	-	-	-	-
19 Total	162.165	-	933.747	2.066.646	11.426	980.261	-	-	4.154.245

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

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Information related to financial position of the Bank (continued)

h. Composition of collateral for CCR exposure

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
1 Cash-Local Currency	-	-	-	-	8.000.013	-
2 Cash - Foreign Currency	-	-	-	-	288.920	-
3 Total	-	-	-	-	8.288.933	-

i. Credit derivatives exposures

Current Period	Protection Bought	Protection Sold
Nominal		
Single-name credit default swaps	188.084	-
Index credit default swaps	-	-
Total return swaps	-	3.316.066
Credit Options	-	-
Other Credit Derivatives	-	-
Total Nominal	188.084	3.316.066
Rediscount Amount		
Positive Rediscount Amount	40.185	-
Negative Rediscount Amount	-	(7.690)

i. Market risk under standardised approach

Outright products		Risk Weighted Asset
		Current Period
1	Interest rate risk (general and specific)	735.203
2	Equity risk (general and specific)	-
3	Foreign exchange risk	120.625
4	Commodity risk	525
Options		
5	Simplified approach	-
6	Delta-plus method	713
7	Scenario approach	-
8	Securitisation	-
9	Total	857.066

j. Exposures to central counterparties

None.

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

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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 June 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 June 30, 2016 of these hedging instruments are presented in the table below:

Hedging Instrument	Notional ⁽¹⁾	Current Period		Notional ⁽¹⁾	Prior Period	
		Asset	Liability		Asset	Liability
Interest rate swap / Cross currency interest rate swap (CFH)	23.919.508	328.872	598.375	28.436.221	703.897	144.047
Cross currency interest rate swap (FVH)	420.217	118.386	7.180	567.175	251.230	3.427
Total	24.339.725	447.258	605.555	29.003.396	955.127	147.474

(1) Only the "sell" legs of the related derivatives are presented with the addition of the "buy" legs of these derivatives amounting to TL 24.715.882 (December 31, 2015 – TL 29.505.684) the total notional of derivative financial assets amounting to TL 49.055.607 (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.

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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 ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	(19.902)	118.386	7.180	8.577

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

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

(3) The ineffective portion of the mentioned hedging transaction is TL 1.231.

Prior Period

Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Fair value difference / adjustment of the hedged item ⁽¹⁾	Net fair value of the hedging instrument ⁽²⁾		Net gain/(loss) recognised in the income statement (Derivative financial transactions gains/losses) ⁽³⁾
				Asset	Liability	
Cross currency interest rate swaps	Fixed interest TL mortgage and car loan portfolios and foreign currency funds and marketable securities	Fixed interest and changes in foreign exchange rate risk	(28.479)	251.230	3.427	(15.948)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency 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.

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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 ⁽¹⁾	Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability		
Interest rate swaps/Cross currency interest rate swaps	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	328.872	598.375	(419.207)	(687.172)

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is amounting TL 6.687 realized as an expense.

Prior Period

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

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

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

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.

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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 June 30, 2016 is EUR 352 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 (VIOP) 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.

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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:

Current Period ⁽¹⁾	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	2.220.197	1.367.496	118.422	1.828.333	5.534.448
Operating expenses	(2.002.745)	(446.001)	(49.844)	(1.327.215)	(3.825.805)
Net operating income	217.452	921.495	68.578	501.118	1.708.643
Dividend income	-	-	-	1	1
Income/(loss) from investments accounted based on equity method	-	-	-	220.577	220.577
Profit before tax	217.452	921.495	68.578	721.696	1.929.221
Tax provision expense	-	-	-	(377.083)	(377.083)
Net period income	217.452	921.495	68.578	344.613	1.552.138
Net profit	217.452	921.495	68.578	344.613	1.552.138
Segment asset	71.063.984	75.218.305	165.790	79.067.554	225.515.633
Investments in associates, subsidiaries and joint ventures	-	-	-	4.137.570	4.137.570
Total assets	71.063.984	75.218.305	165.790	83.205.124	229.653.203
Segment liabilities	54.862.366	50.082.946	31.687.916	68.712.207	205.345.435
Shareholders' equity	-	-	-	24.307.768	24.307.768
Total liabilities	54.862.366	50.082.946	31.687.916	93.019.975	229.653.203
Prior Period ⁽¹⁾⁽²⁾	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	1.904.208	1.118.547	104.828	1.386.039	4.513.622
Operating expenses	(1.747.808)	(488.649)	(44.314)	(1.247.580)	(3.528.351)
Net operating income continuing	156.400	629.898	60.514	138.459	985.271
Dividend income	-	-	-	2.971	2.971
Income/(loss) from investments accounted based on equity method	-	-	-	177.533	177.533
Profit before tax	156.400	629.898	60.514	318.963	1.165.775
Tax provision expense	-	-	-	(257.939)	(257.939)
Net period income	156.400	629.898	60.514	61.024	907.836
Net profit	156.400	629.898	60.514	61.024	907.836
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
Total assets	69.090.016	70.054.161	169.838	81.055.405	220.369.420
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
Total liabilities	51.068.598	49.253.094	28.125.979	91.921.749	220.369.420

- (1) Dividend income and tax provision have not been distributed based on operating segments and presented under "Treasury, Asset-Liability Management and Other".
(2) Prior period columns represent profit / loss figures for the three months period ended June 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 June 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	1.630.210	656.347	1.437.730	511.118
The CBRT ⁽¹⁾	3.734.412	22.158.031	2.025.935	23.019.557
Other	-	128	-	246
Total	5.364.622	22.814.506	3.463.665	23.530.921

(1) The balance of gold amounting to TL 4.546.299 is accounted for under the Central Bank foreign currency account (December 31, 2015 – TL 3.677.328).

2. Information on the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Demand unrestricted amount ⁽¹⁾	3.734.412	2.522	2.025.935	2.735.055
Time unrestricted amount	-	-	-	-
Reserve requirement ⁽²⁾	-	22.155.509	-	20.284.502
Total	3.734.412	22.158.031	2.025.935	23.019.557

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

(2) The Bank keeps TL, USD, 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	170.607	-	173.071	-
Swap transactions	913.645	445.668	1.205.895	209.040
Futures transactions	-	-	-	-
Options	58.773	22.117	106.540	8.658
Other	-	-	-	-
Total	1.143.025	467.785	1.485.506	217.698

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

Yapı ve Kredi Bankası A.Ş.

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(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
Banks				
Domestic	15.495	7.389	10.789	368
Foreign ⁽¹⁾	4.152	1.920.287	14.802	1.311.185
Head quarters and branches abroad	-	-	-	-
Total	19.647	1.927.676	25.591	1.311.553

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 3.992 (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 3.766.805 (December 31, 2015 - TL 4.167.373) and available-for-sale financial assets subject to repo transactions amounts to TL 8.159.498 (December 31, 2015 – TL 8.389.163).

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

	Current Period	Prior Period
Debt securities	20.889.448	22.871.392
Quoted on stock exchange	19.997.238	21.740.703
Not quoted ⁽¹⁾	892.210	1.130.689
Share certificates	100.451	262.225
Quoted on stock exchange	-	-
Not quoted ⁽²⁾	100.451	262.225
Impairment provision (-) ⁽³⁾	(176.401)	(410.013)
Other ⁽⁴⁾	93.931	24.825
Total	20.907.429	22.748.429

(1) Includes credit linked notes amounting to TL 567.754 (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)

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(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	4.041	1.379.003	6.593	954.585
Loans granted to employees	140.980	2	136.551	2
Total	145.021	1.379.005	143.144	954.587

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

Cash Loans	Standard loans and other receivables		Loans and other receivables under close monitoring			
	Loans and other receivables (Total)	of which, terms & conditions are changed		Loans and other receivables (Total)	of which, terms & conditions are changed	
		Payment plan extensions	Other		Payment plan extensions	Other
Non-specialized loans	150.300.927	3.234.262	-	5.341.499	1.974.847	130.967
Loans given to enterprises	76.564.356	1.155.254	-	1.655.672	924.950	94.092
Export loans	5.168.249	149.347	-	28.002	18.196	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.540.178	-	-	-	-	-
Consumer loans	29.168.987	829.072	-	1.135.822	184.209	23.908
Credit cards	20.357.016	610.412	-	385.374	89.021	10.234
Other ⁽¹⁾	16.502.141	490.177	-	2.136.629	758.471	2.733
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	150.300.927	3.234.262	-	5.341.499	1.974.847	130.967

(1) Fair value differences of the hedged items amounting to TL 19.902 expense are classified in other loans as explained in Note XI, Section IV.

Number of modifications made to extend payment plan ⁽¹⁾⁽²⁾⁽³⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	2.831.741	1.579.336
Extended by 3, 4 or 5 times	205.720	351.627
Extended by more than 5 times	196.801	43.884
Total	3.234.262	1.974.847

(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 June 30, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

Extended period of time ⁽¹⁾⁽²⁾⁽³⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	631.192	281.723
6 - 12 Months	448.222	198.379
1 - 2 Years	609.483	261.079
2 - 5 Years	959.693	647.412
5 Years and over	585.672	586.254
Total	3.234.262	1.974.847

- (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 87 loans restructured in accordance with temporary article 6 subsection 2 of the amendment of Provisioning Regulation dated December 30, 2011 with maturities until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 72 of them were restructured once or twice, 12 of them were restructured three, four or five times, 3 of them were structured more than five times.
- (3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.

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:

	Short-term	Medium and long-term	Total
Consumer loans-TL	250.548	28.885.663	29.136.211
Real estate loans	8.427	12.217.425	12.225.852
Automotive loans	6.869	367.796	374.665
Consumer loans	235.252	16.300.442	16.535.694
Consumer loans-FC Indexed	-	38.807	38.807
Real estate loans	-	38.197	38.197
Automotive loans	-	-	-
Consumer loans	-	610	610
Individual credit cards-TL	14.286.056	659.498	14.945.554
With installments	7.680.284	649.228	8.329.512
Without installments	6.605.772	10.270	6.616.042
Individual credit cards-FC	5.149	-	5.149
With installments	2.860	-	2.860
Without installments	2.289	-	2.289
Personnel loans-TL	4.317	57.807	62.124
Real estate loans	-	1.615	1.615
Automotive loans	-	174	174
Consumer loans	4.317	56.018	60.335
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	77.137	220	77.357
With installments	39.033	220	39.253
Without installments	38.104	-	38.104
Personnel credit cards-FC	264	-	264
With installments	169	-	169
Without installments	95	-	95
Credit deposit account-TL (real person)⁽¹⁾	1.067.667	-	1.067.667
Total	15.691.138	29.641.995	45.333.133

- (1) TL 1.235 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)

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Notes to unconsolidated financial statements as of June 30, 2016

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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	
Commercial installments loans-TL	966.443	9.676.541	10.642.984
Business loans	1.237	765.147	766.384
Automotive loans	44.334	1.730.526	1.774.860
Consumer loans	920.872	7.180.868	8.101.740
Commercial installments loans-FC Indexed	7.404	226.236	233.640
Business loans	-	19.097	19.097
Automotive loans	80	63.842	63.922
Consumer loans	7.324	143.297	150.621
Corporate credit cards-TL	5.712.774	1.189	5.713.963
With installment	3.544.597	894	3.545.491
Without installment	2.168.177	295	2.168.472
Corporate credit cards-FC	103	-	103
With installment	-	-	-
Without installment	103	-	103
Credit deposit account-TL (legal person)	1.339.003	-	1.339.003
Total	8.025.727	9.903.966	17.929.693

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	154.297.249	145.976.200
Foreign loans	1.345.177	1.297.909
Total	155.642.426	147.274.109

8. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	24.105	36.629
Indirect loans granted to associates and subsidiaries	-	-
Total	24.105	36.629

9. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectibility	121.792	124.053
Loans and other receivables with doubtful collectibility	639.873	517.271
Uncollectible loans and other receivables	4.721.915	3.985.343
Total	5.483.580	4.626.667

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

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Notes to unconsolidated financial statements as of June 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 Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
Current Period			
(Gross amounts before specific reserves)	14.586	98.889	151.849
Restructured loans and other receivables	14.586	98.889	151.849
Rescheduled loans and other receivables	-	-	-
Prior Period			
(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 Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
Prior Period	691.268	1.300.630	4.139.842
Additions (+)	1.400.577	38.976	42.341
Transfers from other categories of non-performing loans (+)	-	1.292.748	962.861
Transfer to other categories of non-performing loans (-)	(1.292.748)	(962.861)	-
Collections (-)	(97.966)	(127.510)	(239.552)
Write-offs(-)	-	-	(30)
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	(30)
Current Period	701.131	1.541.983	4.905.462
Specific provision (-)	(121.792)	(639.873)	(4.721.915)
Net balance on balance sheet	579.339	902.110	183.547

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

	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
Current Period			
Period end balance	264	5.961	507.692
Specific provision (-)	(53)	(5.065)	(424.924)
Net balance on-balance sheet	211	896	82.768
Prior Period			
Period end balance	113	5.266	508.015
Specific provision (-)	(23)	(3.817)	(426.724)
Net balance on-balance sheet	90	1.449	81.291

(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 June 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	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Current Period (net)	579.339	902.110	183.547
Loans granted to real persons and corporate entities (gross)	701.131	1.541.983	4.796.857
Specific provision amount (-)	(121.792)	(639.873)	(4.613.310)
Loans granted to real persons and corporate entities (net)	579.339	902.110	183.547
Banks (gross)	-	-	24.619
Specific provision amount (-)	-	-	(24.619)
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	83.986
Specific provision amount (-)	-	-	(83.986)
Other loans and receivables (net) ⁽¹⁾	-	-	-
Prior Period (net)	567.215	783.359	154.499
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) ⁽¹⁾	-	-	-

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

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

This footnote is not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim 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 2.250.697 (December 31, 2015 - TL 1.727.689 TL). The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 393.935 (December 31, 2015 - TL 2.736.461).

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

	Current Period	Prior Period
Government bond	6.698.263	6.389.632
Treasury bill	-	-
Other debt securities	-	-
Total	6.698.263	6.389.632

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

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Explanations and notes related to unconsolidated financial statements (continued)

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

	Current Period	Prior Period
Debt securities	6.918.406	6.583.900
Quoted on stock exchange	6.918.406	6.583.900
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(220.143)	(194.268)
Total	6.698.263	6.389.632

(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
Beginning balance	6.389.632	5.019.049
Foreign currency differences on monetary assets ⁽¹⁾	2.909	850.016
Purchases during the year	331.663	592.353
Disposals through sales and redemptions	(66)	(58)
Impairment provision (-) ⁽²⁾	(25.875)	(71.728)
Period end balance	6.698.263	6.389.632

(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.

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 ⁽¹⁾	İstanbul/Türkiye	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş.	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.	9.705.112	1.201.220	6.010	68.510	12.101	62.176	47.435	-
2.	152.693	118.976	95.290	1.050	11	5.766	9.994	-
3.	68.992	39.246	47.932	383	-	9.586	5.165	-

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

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(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
Balance at the beginning of the period	342.643	264.875
Movements during the period	13.621	77.768
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Profit from current year's income	19.067	21.001
Sales	-	-
Revaluation (decrease) / increase ⁽²⁾	2.199	61.566
Impairment provision ⁽¹⁾	(7.645)	(4.799)
Balance at the end of the period	356.264	342.643
Capital commitments	-	-
Share holding percentage at the end of the period (%)	-	-

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

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

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

	Current Period	Prior Period
Banks	351.761	338.140
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	351.761	338.140

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)

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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.
Core Capital					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable securities valuation differences	13.650	-	-	-	(2.384)
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	-	485.007
Other reserves	-	-	-	-	355.614
Profit/loss	(28.733)	112.902	593.994	12.154	33.004
Prior period profit	41.213	14.920	119.226	12.154	33.004
Prior years' income or (loss)	(69.946)	97.982	474.768	-	-
Leasehold improvements (-)	-	-	179	218	70
Intangible assets (-)	17.768	1.478	3.564	631	234
Total core capital	440.418	190.641	1.613.804	35.176	983.379
Supplementary capital	-	10.127	35.217	-	179
Capital	440.418	200.768	1.649.021	35.176	983.558
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	440.418	200.768	1.649.021	35.176	983.558

The above information is based on the consolidated financial statements of the Bank as of June 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.

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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⁽¹⁾:

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.	227.751	227.569	-	-	-	(140)	240	-	-
2.	4.219.074	462.690	40.208	128.342	3.794	41.213	45.797	-	-
3.	2.283.743	192.119	2.129	83.183	-	14.920	11.029	-	-
4.	580.812	148.309	14.210	15.796	759	6.140	6.483	-	-
5.	7.875.083	1.617.547	4.081	248.859	-	119.226	83.824	-	-
6.	43.902	36.001	1.372	2.849	-	12.154	11.743	-	-
7.	6.594.447	980.924	949	164.242	6.375	33.004	27.173	-	-
8.	764.627	130.507	25.949	29.767	-	347	(162)	-	-
9.	36.729	23.892	3.724	1.110	-	798	(1.327)	-	-
10.	26.297	22.198	1.363	32	-	2.881	3.051	-	-
11.	6.251	4.948	1.923	80	-	225	-	-	-

(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)

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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	140.678	304.958
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	203.470	345.342
Sales	-	-
Transfers	-	-
Liquidation	-	-
Revaluation increase/decrease ⁽¹⁾	27.922	66.047
Impairment provision ⁽²⁾	(90.714)	(106.431)
Balance at the end of the period	3.755.114	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	937.926	886.070
Insurance companies	-	-
Factoring companies	192.028	195.856
Leasing companies	1.617.448	1.498.228
Finance companies	-	-
Other financial subsidiaries	1.007.712	1.034.282
Total financial subsidiaries	3.755.114	3.614.436

6. Subsidiaries quoted on stock exchange:

None (December 31, 2015 - None).

1. 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	134.334	66.128	79.266	55.068	8.438	25.322	(29.825)
Total			134.334	66.128	79.266	55.068	8.438	25.322	(29.825)

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

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Explanations and notes related to unconsolidated financial statements (continued)

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 ⁽¹⁾	118.386	-	251.230	-
Cash flow hedge ⁽¹⁾	328.872	-	697.629	6.268
Foreign net investment hedge	-	-	-	-
Total	447.258	-	948.859	6.268

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

k. Information on tangible assets:

This footnote is not prepared in compliance with the Article 25 of the 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
Net book value at the beginning of the period	151.010	150.499
Additions	34.940	71.047
Disposals (-), net	(32.008)	(65.547)
Impairment provision reversal	1.593	560
Impairment provision (-)	(259)	(400)
Depreciation (-)	(2.582)	(5.149)
Net book value at the end of the period	152.694	151.010
Cost at the end of the period	167.546	166.100
Accumulated depreciation at the end of the period (-)	(14.852)	(15.090)
Net book value at the end of the period	152.694	151.010

As of June 30, 2016, the Bank booked impairment provision on assets held for resale with an amount of TL 6.504 (December 31, 2015 - TL 7.838).

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

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Notes to unconsolidated financial statements as of June 30, 2016

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Explanations and notes related to unconsolidated financial statements (continued)

ö. Information on other assets:

As of June 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	5.352.219	768.068	21.861.095	5.206.375	2.307.488	2.244.075	26	37.739.346
Foreign currency deposits	9.426.651	8.761.201	27.805.091	6.727.921	5.247.243	2.804.915	-	60.773.022
Residents in Turkey	9.357.682	8.756.921	27.639.547	6.690.721	5.202.168	2.727.130	-	60.374.169
Residents abroad	68.969	4.280	165.544	37.200	45.075	77.785	-	398.853
Public sector deposits	1.179.997	295	84.271	4.814	520	359	-	1.270.256
Commercial deposits	5.082.944	3.373.494	15.875.497	2.452.798	950.032	428.676	-	28.163.441
Other institutions deposits	96.804	124.897	2.121.145	186.901	31.965	12.624	-	2.574.336
Precious metals vault	282.398	1.027	71.382	24.228	31.250	125.422	-	535.707
Bank deposits	514.645	2.389.974	130.885	273.724	2.040	2.041	-	3.313.309
The CBRT	12.622	-	-	-	-	-	-	12.622
Domestic banks	5.769	2.386.761	15.015	-	2.040	2.041	-	2.411.626
Foreign banks	336.357	3.213	115.870	273.724	-	-	-	729.164
Participation banks	159.897	-	-	-	-	-	-	159.897
Other	-	-	-	-	-	-	-	-
Total	21.935.658	15.418.956	67.949.366	14.876.761	8.570.538	5.618.112	26	134.369.417

(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	-	-	-	-	-	-	-	-
Total	19.587.148	17.729.523	75.759.437	6.700.783	5.288.039	1.843.963	-	126.908.893

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

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Explanations and notes related to unconsolidated financial statements (continued)

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	19.619.779	17.014.520	18.119.525	16.525.715
Foreign currency savings deposit	5.217.564	5.043.911	16.579.397	16.142.805
Other deposits in the form of saving deposits	201.380	241.329	284.929	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	5.436	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	253.328	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	175.322	-	96.278	-
Swap transactions	966.685	427.632	1.421.153	217.921
Futures transactions	-	-	-	-
Options	58.195	28.238	104.779	13.375
Other	-	-	-	-
Total	1.200.202	455.870	1.622.210	231.296

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	183.197	202.234	196.688	199.378
From foreign banks, institutions and funds	396.599	24.131.675	457.177	22.762.487
Total	579.796	24.333.909	653.865	22.961.865

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

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Explanations and notes related to unconsolidated financial statements (continued)

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	122.880	4.216.855	248.614	3.700.924
Medium and long-term	456.916	20.117.054	405.251	19.260.941
Total	579.796	24.333.909	653.865	22.961.865

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 ⁽¹⁾	-	5.753.498	-	6.083.274
From foreign funds	-	-	-	-
Total	-	5.753.498	-	6.083.274

(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 June 30, 2016, the total amount of financial liabilities classified as fair value through profit/loss is TL 3.430.457 (December 31, 2015 - TL 3.394.985) with an accrued interest income of TL 30.289 (December 31, 2015 - TL 82.505) and with a fair value difference of TL 51.224 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 June 30, 2016 are TL 3.316.066 (December 31, 2015: TL 3.332.109) for buy legs and TL 3.316.066 (December 31, 2015: TL 3.332.109) for sell legs with a fair value differences amounting to TL 35.601 (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	1.423.048	310.063	2.106.752	451.305
Bonds	575.852	6.173.621	662.717	6.346.789
Collateralized securities	288.621	-	288.650	-
Total	1.998.900	6.483.684	2.769.469	6.798.094

ç. Information on other liabilities:

As of June 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:

None (December 31, 2015 None).

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".

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

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Notes to unconsolidated financial statements as of June 30, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

e. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	7.180	-	3.427	-
Cash flow hedge ⁽¹⁾	326.367	272.008	35.387	108.660
Foreign net investment hedge	-	-	-	-
Total	333.547	272.008	38.814	108.660

(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	2.266.609	2.043.593
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	158.754	85.758
II. Provisions for second group loans and receivables	234.277	206.370
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	71.869	57.504
Provisions for non cash loans	95.900	89.189
Others	232.247	232.838
Total	2.829.033	2.571.990

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 (January 1, 2016: full TL 4.092,53) 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.

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Explanations and notes related to unconsolidated financial statements (continued)

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	120.717	123.200
Changes during the period	23.170	47.684
Recognized in equity	-	(22.478)
Paid during the period	(19.267)	(27.689)
Balance at the end of the period	124.620	120.717

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 171.437 as of June 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 June 30, 2016, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 60.924 (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	118.262	105.932
Provisions on credit cards and promotion campaigns related to banking services	38.206	38.244
Other	335.713	292.953
Total	1.066.430	1.011.378

- (ii) General reserves for possible losses:

None (December 31, 2015 None).

5. Pension fund provision:

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

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

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

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	200.762	185.879
Taxation of Marketable Securities	136.993	111.321
Property Tax	3.135	2.795
Banking Insurance Transaction Tax ("BITT")	102.719	105.614
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	4.017	12.831
Other	27.890	31.588
Total	475.516	450.028

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	14.709	13.473
Bank pension fund premiums – employer	15.181	13.921
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.050	961
Unemployment insurance – employer	2.101	1.922
Other	-	-
Total	33.041	30.277

(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: ⁽¹⁾

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	7.455.587	-	6.635.191
From other foreign institutions	-	-	-	-
Total	-	7.455.587	-	6.635.191

(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.

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(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
From investments in associates, subsidiaries, and joint ventures	785.331	1.071.860	785.325	1.041.745
Valuation difference ⁽¹⁾	785.331	1.071.860	785.325	1.041.745
Foreign currency difference	-	-	-	-
Available for sale securities	(44.938)	114.612	(559.598)	293.487
Valuation differences ⁽²⁾	(44.938)	114.612	(559.598)	293.487
Foreign currency differences	-	-	-	-
Total	740.393	1.186.472	225.727	1.335.232

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

(2) Includes tax effect related to foreign currency valuation differences.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of June 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:

	Current Period	Prior Period
Commitments on credit card limits	29.351.694	28.304.464
Loan granting commitments	8.707.174	9.085.013
Commitments for cheques	6.690.759	6.521.085
Other irrevocable commitments	29.697.495	35.009.478
Total	74.447.122	78.920.040

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

Obligations arising from off-balance sheet are disclosed in "Off-balance sheet commitments". The Bank set aside general provision for its non-cash loans amounting to TL 95.900 (December 31, 2015 - TL 89.189) and specific provision amounting to TL 615.851 (December 31, 2015 - TL 597.477) for non-cash loans which are not indemnified yet amounting to TL 118.262 (December 31, 2015 - TL 105.932).

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

	Current Period	Prior Period
Bank acceptance loans	181.179	173.524
Letter of credits	8.744.347	7.648.009
Other guarantees and collaterals	4.884.567	4.255.807
Total	13.810.093	12.077.340

(ii). Guarantees, surety ships and other similar transactions:

	Current Period	Prior Period
Temporary letter of guarantees	2.430.357	1.926.929
Definite letter of guarantees	31.667.306	31.742.225
Advance letter of guarantees	6.938.689	5.535.124
Letter of guarantees given to customs	2.297.424	2.016.647
Other letter of guarantees	4.312.624	3.742.806
Total	47.646.400	44.963.731

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Notes to unconsolidated financial statements as of June 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	4.046.272	3.455.099
With original maturity of 1 year or less than 1 year	601.359	430.142
With original maturity of more than 1 year	3.444.913	3.024.957
Other non-cash loans	57.410.221	53.585.972
Total	61.456.493	57.041.071

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

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

(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:

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.

ç. Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 41.761 (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:

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.

(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 June 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 ⁽¹⁾	2.600.345	87.632	2.354.915	85.625
Medium/long-term loans ⁽¹⁾	3.442.346	1.243.124	2.494.674	974.367
Interest on loans under follow-up	38.443	35	39.709	54
Premiums received from resource utilization support fund	-	-	-	-
Total	6.081.134	1.330.791	4.889.298	1.060.046

(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	-	-	-	-
From domestic banks	8.087	126	16.468	133
From foreign banks	1.511	8.700	1.357	30.740
Headquarters and branches abroad	-	-	-	-
Total	9.598	8.826	17.825	30.873

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	2.916	568	4.169	546
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	839.184	96.962	847.762	95.778
From held-to-maturity investments	99.231	149.421	90.727	106.882
Total	941.331	246.951	942.658	203.206

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest received from associates and subsidiaries		23.214		9.910

(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 June 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	25.211	305.608	35.713	349.551
The CBRT	-	-	-	-
Domestic banks	5.781	2.227	7.226	2.351
Foreign banks	19.430	303.381	28.487	347.200
Headquarters and branches abroad	-	-	-	-
Other institutions	-	124.997	-	42.275
Total ⁽¹⁾	25.211	430.605	35.713	391.826

(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	96.241	33.506

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	130.790	169.405	132.318	176.002
Total	130.790	169.405	132.318	176.002

4. Maturity structure of the interest expense on deposits:

Account name	Demand deposit	Time deposit					Total	Prior period
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year		
TL								
Bank deposits	94	82.607	2.212	-	40	41	84.994	33.582
Saving deposits	-	65.773	1.594.619	64.886	6.404	8.060	1.739.742	1.287.085
Public sector deposits	-	340	4.733	64	24	3	5.164	3.158
Commercial deposits	15	198.727	945.472	134.984	23.431	22.665	1.325.294	965.105
Other deposits	-	5.990	230.398	26.159	18.685	22	281.254	287.146
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	109	363.437	2.777.434	226.093	48.584	30.791	3.436.448	2.576.076
FC								
Foreign currency deposits	35	91.431	338.534	34.450	15.763	7.259	487.472	398.019
Bank deposits	1	1.733	919	146	161	-	2.960	2.303
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal vault	-	274	531	42	72	38	957	966
Total	36	93.438	339.984	34.638	15.996	7.297	491.389	401.288
Grand total	145	446.875	3.117.418	260.731	64.580	38.088	3.927.837	2.977.364

(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 June 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:

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.

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

	Current Period	Prior Period
Gain	15.136.449	23.080.947
Gain from capital market transactions	102.099	204.295
Derivative financial transaction gains ⁽¹⁾	5.471.434	8.160.528
Foreign exchange gains	9.562.916	14.716.124
Loss(-)	(15.093.982)	(23.416.488)
Loss from capital market transactions	(49.604)	(35.262)
Derivative financial transaction losses ⁽¹⁾	(6.370.413)	(8.208.994)
Foreign exchange loss	(8.673.965)	(15.172.232)
Net gain/loss	42.467	(335.541)

(1) The amount of net income/loss from derivative financial transactions related to exchange rate changes is TL 789.467 loss (June 30, 2015 – TL 469.795 loss).

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 the gain from sales of assets.

e. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	941.028	758.892
III. Group loans and receivables	16.244	20.276
IV. Group loans and receivables	147.152	189.006
V. Group loans and receivables	777.632	549.610
General provision expenses	270.243	363.097
Provision expense for possible risks	-	4.483
Marketable securities impairment expenses ⁽¹⁾	33.473	35.885
Financial assets at fair value through profit or loss	572	642
Available-for-sale financial assets	32.901	35.243
Impairment of investments in associates, subsidiaries and held-to-maturity securities	26.927	16.491
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	26.927	16.491
Other	96.683	67.047
Total	1.368.354	1.245.895

(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.

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

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Notes to unconsolidated financial statements as of June 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	966.572	860.588
Reserve for employee termination benefits	3.904	4.259
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	1.535
Depreciation expenses of property and equipment	111.399	96.505
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	57.069	59.735
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	259	197
Depreciation expenses of assets held for resale	2.582	2.586
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	845.961	760.901
Operational lease expenses	132.523	115.292
Repair and maintenance expenses	46.003	37.606
Advertising expenses	63.175	64.975
Other expense	604.260	543.028
Loss on sales of assets	-	23
Other	469.705	496.127
Total	2.457.451	2.282.456

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 June 30, 2016, the Bank has current tax expense amounting to TL 441.782 (June 30, 2015 – TL 141.254 expense) and deferred tax income amounting to TL 64.699 (June 30, 2015 – TL 116.685 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 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 June 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

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.

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 ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	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	24.105	181.867	92.979	1.379.003	1.780.155	2.575.788
Interest and commission income received	23.214	774	1.868	3.786	95.764	5.365

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

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

Prior Period Bank's risk group ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	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 ⁽³⁾	9.910	610	8.836	3.505	81.265	4.365

(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) Represent the profit / loss figures for the three months period ended June 30, 2015.

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

Bank's risk group ⁽¹⁾⁽²⁾ 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	2.996.974	2.500.000	18.302.934	15.911.762	10.757.485	10.366.561
Interest expense on deposits ⁽³⁾	96.241	33.506	507.002	384.687	253.258	132.984

(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 represent profit / loss figures for the three months period ended June 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 June 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 ⁽¹⁾⁽²⁾	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at fair value through profit or loss⁽²⁾						
Beginning of the period ⁽³⁾	4.510.236	872.477	1.455.484	428.403	146.778	718.079
End of the period ⁽³⁾	1.385.649	4.510.236	1.927.707	1.455.484	1.065.231	146.778
Total profit / (loss)⁽⁴⁾	(42.818)	15.793	(42.343)	(20.743)	23.925	(655)
Transactions for hedging purposes⁽²⁾						
Beginning of the period ⁽³⁾	-	-	-	-	-	-
End of the period ⁽³⁾	-	-	-	-	-	-
Total profit / (loss)	-	-	-	-	-	-

(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) Represent the profit / loss figures for the three months period ended June 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 32.247 as of June 30, 2016 (June 30, 2015 – TL 29.073).

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:

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 June 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 June 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 July 29, 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 June 30, 2016

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

Section Seven⁽¹⁾

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:

In the second quarter of 2016, the macroeconomic environment was relatively supportive. Domestically, rate cuts by the CBRT of 200 basis points in the upper band of the rate corridor helped improve market sentiment. On the global front, there was severe volatility in June after Britain voted to leave the European Union; however delayed expectation of FED rate hikes coupled with increasing prospects of monetary stimulus by core central banks provided a more positive backdrop for emerging markets.

In the banking sector, total loans reached TL 1.503 billion indicating 5% year-to-date growth. During the same period, total deposits reached TL 1.316 billion indicating 6% year-to-date growth. Accordingly, the sector's loan to deposit+TL bond ratio decreased by 35 basis points year-to-date to 110%. Asset quality displayed slight deterioration due to market conditions in the first half of the year and the sector's non-performing loans ratio increased by 14 basis points year-to-date to 3,1%, also supported by non-performing loans sales amounting to TL 1,6 billion.

In the first half of 2016, Yapı Kredi continued to record profitability improvement while maintaining its capital, liquidity and market positioning. In May, the Bank successfully refinanced its syndicated loan with 101% roll-over ratio. The loan facility has US\$381 million and €959,1 million tranches with a cost of Libor/Euribor+0,75% per annum. Through this funding, the Bank increased its liquidity and confirmed once more its strong financial position and reputation in the international arena.

Yapı Kredi continued to be crowned with important awards in the second quarter. Bilkent Ankara Integrated Health Campus Project, whose financing Yapı Kredi contributed to, won "Turkey's Best Contract of the Year" award from Project Finance International. Another achievement that made Yapı Kredi proud was the awards subsidiaries received. Yapı Kredi Asset Management was named the "Best Asset Manager in Turkey" by Europe, Middle East and Africa Finance Magazine once again. In addition, with an average annual yield of 39,2% for the past three years, it won the "Highest Yield Pension Fund" award during the inaugural Turkish Capital Markets Association Awards. Finally, Yapı Kredi was acknowledged with yet another prestigious award in May. Yapı Kredi was merited the "Turkey's Most Ethical Company" Award at ETIKA for the 4th time, which is an indication of Yapı Kredi's success in terms of ethics, an important pillar of the Bank's corporate culture.

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 June 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 operating environment improved in the second quarter of the year compared to first quarter, finding support from the CBRT's actions and improving global sentiment.

During this period, Yapı Kredi continued its strategy at full force and recorded improvement in its profitability. The Bank generated TL 1.552 million net income in the first half of 2016 and cumulative return on average tangible equity reached 14,0%.

In terms of lending, Yapı Kredi's loan growth was aligned with sector at 6% year-to-date and market share was maintained at 10,4%. Loan growth was mainly driven by growth in general purpose lending and company loans. The Bank maintained its leadership position in credit cards with 21,5% outstanding volume market share. During the same period, total deposits grew in line with loans at 6%, keeping the loan-to-deposits plus TL bonds ratio flat at 114% vs 2015 year end.

Digitalization continued to be one of the most important items on Yapı Kredi's agenda in the second quarter. The second FikriMobil, Yapı Kredi's mobile app development contest attracted significant attention from undergraduates and the winning team was granted a trip to Silicon Valley. On the other hand, at the UniCredit's Share2Grow competition, which aims to encourage cooperation between Private Banking and Corporate and Commercial Banking, Turkey ranked the second among CEE countries. Moreover, as a direct reflection of its successful efforts, Yapı Kredi has become one of the top ten publicly traded companies in terms of market capitalization in Turkey as of June 2016.

Looking at the financial performance, the Bank increased its total revenues by 23% year-over-year to TL 5.755 million driven primarily by core revenues from customer-oriented banking activities. Disciplined approach to costs was evident with 8% year-over-year cost growth. Accordingly, cumulative cost to income ratio improved by 6 percentage points year-over-year to 43%.

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 June 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 29 July 2016, Yapı Kredi announced its unconsolidated 2016 first half results based on Turkish accounting standards (BRSA), reporting TL 1.552 million net income and cumulative tangible return on equity was recorded as 14,0%. Quarterly net income was recorded at TL 848 million.

Strong revenue growth and disciplined cost management resulting in solid operational performance

In the first half of 2016, Yapı Kredi increased its total revenues by 23% year-over-year supported by strong 17% year-over-year growth in fees and commissions and expanding loan-deposit spread. Other revenues also contributed positively, mainly driven by lower swap costs and TL 235 million pre-tax contribution of Visa share sale gain. Discipline in cost management was evident with cost growth of 8% year-over-year, in line with guidance and in line with inflation. Accordingly, cost/income ratio improved by 6 percentage point to 43%.

Balanced growth in loans and deposits

During the first half of the year, Yapı Kredi's market share in both loans and deposits remained relatively stable and was realized at 10,4% and 10,2%, respectively.

In terms of lending, Yapı Kredi recorded 6% year-to-date growth in loans up to TL 155,6 billion with a balanced mix among consumer and corporate/commercial lending. Accordingly, the Bank's year-over-year loan growth reached 13%, in line with the full-year guidance. In terms of funding, Yapı Kredi's deposit growth was in line with loan growth at 6% year-to-date to TL 134,4 billion. Demand deposits, a strong focus area for the bank, increased by 12% year-to-date compared to 8% growth at sector level.

Comfortable capitalisation and solid liquidity profile

The capitalization of the Bank has been improving consistently compared to the end of 2015 thanks to strong profitability, focus on effective capital usage and issuance of US\$500 mln sub-loan in March 2016. Capital Adequacy Ratio increased by 76 basis points year-to-date to 14,6% and Common Equity Tier-1 ratio increased by 46 basis points year-to-date to 11,2%. In the same period, the Bank was able to keep its loan-to-deposits plus TL bonds ratio flat compared to the end of 2015 at 114%, in line with guidance.

In terms of funding, the Bank successfully renewed its syndicated loan in May 2016 with the participation of 48 banks from 15 countries and a roll over ratio above 101%. The loan facility has US\$381 million and €959,1 million tranches with a cost of Libor/Euribor+0,75% per annum.

Asset quality in line with guidance

In the second quarter of 2016, non-performing loans ratio was realized at 4,4% impacted by some pressure on collections. Specific coverage remained flat at 77% while cost of risk (net of collections) was realised at 1,36% in the first half of 2016, compared to 1,43% in same period of 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 June 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	229,653	220,369
Total Loans	155,642	147,274
Total Deposits	134,369	126,909
Shareholders' Equity	24,308	23,084
Loans/Assets	68%	67%
Deposits/Assets	59%	58%
NPL	4.4%	4.0%
CAR	14.57%	13.81%
TL million	Current Period	Prior Period
Net Profit	1,552	908
Return on Average Tangible Equity	14%	9.2%

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

- On May 4, 2016, the bank renewed its syndicated loan in the amount of US\$ 1.5 billion with the participation of 48 banks from 15 countries with a roll over ratio above 101%
- On May 10, 2016, Standard & Poors revised Yapı Kredi's outlook to "Stable" from "Negative" based on an upward revision on Turkey's outlook to "Stable"
- On June 10, 2016, Fitch Ratings affirmed Yapı Kredi's IDR, Viability Rating and Support Rating
- On July 22, 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".

6. Current Trends and Expectations for the Upcoming Period:

2016 macro and banking sector expectations:

- GDP growth: ~3.5%
- Inflation: ~7-8%
- Loan growth: 13%
- Deposit growth: 11%
- Net Interest Margin: Flat vs 2015
- Non-Performing Loan ratio: +40 basis points vs 2015

2016 Yapı Kredi expectations:

- Lending: Volume growth relatively aligned with sector. Continued outperformance in value generating areas
- Funding: Deposit growth aligned with loan growth. Ongoing access to wholesale funding
- Revenues: Flattish net interest margin to be supported by effective pricing. Low-teens fee growth impacted by cancellation of account maintenance fees
- Costs: Majority of investments finalized. Ongoing focus on infrastructure and digital
- Asset Quality: Conservative risk approach with non-performing loans ratio slightly up; Cost of Risk slightly down mainly due to regulatory changes. Strong focus on collections with system enhancements and dedicated approach