

Yapı ve Kredi Bankası A.Ş.

Publicly announced unconsolidated financial statements and related disclosures at December 31, 2016 together with independent auditor's report

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

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

Independent auditor report

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

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated balance sheet of Yapı ve Kredi Bankası A.Ş. ("the Bank") as at December 31, 2016 and the related unconsolidated income statement, unconsolidated statement of income and expense items accounted under shareholders' equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank's Board of Directors for the Unconsolidated Financial statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statement in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; "BRSA Accounting and Reporting Legislation" and for such internal control as management determines is necessary to enable the preparation of the unconsolidated financial statement that is free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on the unconsolidated financial statements based on our audit. We conducted our audit in accordance with communique "Independent Audit of Banks" published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the unconsolidated financial statements are free of material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the independent auditor's professional judgment, including the assessment of risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the unconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying unconsolidated financial statements presents fairly, in all material respects, the financial position of Yapı ve Kredi Bankası A.Ş. as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Reporting Legislation.

Reports on arising from other regulatory requirements:

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1 – December 31, 2016 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional paragraph for convenience translation to English:

As explained in detail in Note I. of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, 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



February 2, 2017
İstanbul, Turkey

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

**THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF
YAPI VE KREDİ BANKASI A.Ş. AS OF DECEMBER 31, 2016**

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The unconsolidated financial report for the year end 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
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

The accompanying unconsolidated financial statements 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 audited.


Y. Ali KOÇ
Chairman of the
Board of Directors


H. Faik AÇIKALIN
Chief Executive Officer


Massimo FRANCESE
Chief Financial Officer


B. Seda İKİZLER
Financial Reporting and
Accounting Executive
Vice President


Wolfgang SCHILK
Chairman of Audit Committee


Adil G. ÖZTOPRAK
Member of Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:
Name-Surname / Title : Aysel Taktak / Regulatory Reporting Manager
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Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of December 31, 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 December 31, 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%.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of December 31, 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 December 31, 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
A. Ümit TAFTALI	Member
F. Füsün Akkal BOZOK	Member
Gianfranco BISAGNI	Member
Giovanna VILLA	Independent Member
Giuseppe SCOGNAMIGLIO	Member
Levent ÇAKIROĞLU	Member
Mirko D. G. BIANCHI	Member
Wolfgang SCHILK	Independent Member

Audit Committee Members:

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

(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 December 31, 2016

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

General information (continued)

General Manager and Deputy General Manager:

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

Assistant General Managers:

Name	Responsibility
Akif Cahit ERDOĞAN	Information Technologies and Operation Management
Cemal Aybars SANAL	Legal Activities Management
Demir KARAASLAN	Retail Credits Management
Feza TAN	Corporate and Commercial Banking Management
Massimo FRANCESE	Financial Planning and Administration Management
Mehmet Erkan ÖZDEMİR	Compliance and Internal Control / Consumer Relations Coordination Officer
Mehmet Gökmen UÇAR	Human Resources and Organization Management
Mehmet Murat ERMERT	Corporate Communication Management
Mert ÖNCÜ	Treasury Management
Mert YAZICIOĞLU	Private Banking and Asset Management
Nurgün EYÜBOĞLU	Corporate and Commercial Credit Management
Patrick Josef SCHMITT	Risk Management
Stefano PERAZZINI ⁽¹⁾	Internal Audit / Chief Audit Executive
Yakup DOĞAN	Alternative Distribution Channels
Zeynep Nazan SOMER ÖZELGİN	Retail Banking Management

(1) Based on the Board resolution dated 21 December 2016, Giovanni Battista Avanzi was appointed as Assistant General Manager in charge of Internal Audit as of 2 January 2017, replacing Stefano Perazzini who took another position within the UniCredit Group.

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.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements as of December 31, 2016

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

General information (continued)

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 December 31, 2016, the Bank has 935 branches operating in Turkey and 1 branch in overseas (December 31, 2015 - 999 branches operating in Turkey, 1 branch in overseas). As of December 31, 2016, the Bank has 18.366 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.

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

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

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

All other subsidiaries are fully consolidated.

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

None.

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2016 and 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)

		Current Period (31/12/2016)			Prior Period (31/12/2015)		
Assets	Note (Section Five)	TL	FC	Total	TL	FC	Total
I. Cash and balances with Central Bank	I-a	9,051,431	23,329,135	32,380,566	3,463,665	23,530,921	26,994,586
II. Financial assets at fair value through profit or (loss) (net)	I-b	2,652,903	365,380	3,018,283	1,537,120	232,190	1,769,310
2.1 Trading financial assets		2,652,903	365,380	3,018,283	1,537,120	232,190	1,769,310
2.1.1 Government debt securities		18,888	17,825	36,713	51,614	14,492	66,106
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading	I-c	2,634,015	347,555	2,981,570	1,485,506	217,698	1,703,204
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets designated at fair value through profit/(loss)		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. Banks	I-ç	33,331	1,415,361	1,448,692	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 BIST		-	-	-	155,270	130,845	286,115
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. Financial assets available-for-sale (net)	I-d,e	15,170,100	3,110,106	18,280,206	18,578,677	4,169,752	22,748,429
5.1 Share certificates		6,330	62,288	68,618	6,272	210,639	216,911
5.2 Government debt securities		14,431,742	1,602,330	16,034,072	17,759,935	2,620,248	20,380,183
5.3 Other marketable securities		732,028	1,445,488	2,177,516	812,470	1,338,865	2,151,335
VI. Loans and receivables	I-f	106,808,228	66,015,989	172,824,217	98,112,274	50,666,908	148,779,182
6.1 Loans and receivables		104,490,268	66,015,989	170,506,257	96,690,031	50,584,078	147,274,109
6.1.1 Loans to bank's risk group		1,608,906	811,272	2,420,178	1,579,608	88,851	1,668,659
6.1.2 Government debt securities		-	-	-	-	-	-
6.1.3 Other		102,881,362	65,204,717	168,086,079	95,110,223	50,495,227	145,605,450
6.2 Loans under follow-up		8,706,143	-	8,706,143	5,618,346	513,394	6,131,740
6.3 Specific provisions (-)		(6,588,183)	-	(6,588,183)	(4,196,103)	(430,564)	(4,626,667)
VII. Factoring receivables		-	-	-	-	-	-
VIII. Held-to-maturity investments (net)	I-g	4,804,988	5,859,583	10,664,551	1,920,297	4,469,335	6,389,632
8.1 Government debt securities		4,804,988	5,859,583	10,664,551	1,920,297	4,469,335	6,389,632
8.2 Other marketable securities		-	-	-	-	-	-
IX. Investments in associates (net)	I-ğ	4,503	437,143	441,646	4,503	338,140	342,643
9.1 Consolidated based on equity method		-	-	-	-	-	-
9.2 Unconsolidated		4,503	437,143	441,646	4,503	338,140	342,643
9.2.1 Investments in financial associates		-	437,143	437,143	-	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	2,476,582	1,756,442	4,233,024	2,233,990	1,387,746	3,621,736
10.1 Unconsolidated financial subsidiaries		2,469,282	1,756,442	4,225,724	2,226,690	1,387,746	3,614,436
10.2 Unconsolidated non-financial subsidiaries		7,300	-	7,300	7,300	-	7,300
XI. Joint ventures (net)	I-ı	18,114	-	18,114	20,851	-	20,851
11.1 Accounted based on equity method		-	-	-	-	-	-
11.2 Unconsolidated		18,114	-	18,114	20,851	-	20,851
11.2.1 Financial joint ventures		18,114	-	18,114	20,851	-	20,851
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. Lease receivables	I-ı	-	-	-	-	-	-
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	1,055,832	113,104	1,168,936	948,859	6,268	955,127
13.1 Fair value hedge		205,519	-	205,519	251,230	-	251,230
13.2 Cash flow hedge		850,313	113,104	963,417	697,629	6,268	703,897
13.3 Foreign net investment hedge		-	-	-	-	-	-
XIV. Property and equipment (net)	I-k	2,653,825	-	2,653,825	2,693,901	-	2,693,901
XV. Intangible assets (net)	I-l	1,523,961	-	1,523,961	1,489,434	-	1,489,434
15.1 Goodwill		979,493	-	979,493	979,493	-	979,493
15.2 Other		544,468	-	544,468	509,941	-	509,941
XVI. Investment property (net)	I-m	-	-	-	-	-	-
XVII. Tax asset		97,812	-	97,812	-	-	-
17.1 Current tax asset		97,812	-	97,812	-	-	-
17.2 Deferred tax asset		-	-	-	-	-	-
XVIII. Assets held for resale and related to discontinued operations (net)	I-o	159,974	-	159,974	151,010	-	151,010
18.1 Held for sale purposes		159,974	-	159,974	151,010	-	151,010
18.2 Related to discontinued operations		-	-	-	-	-	-
XIX. Other assets	I-ö	1,486,403	2,619,328	4,105,731	1,388,350	1,401,970	2,790,320
Total assets		147,797,967	105,021,571	252,819,538	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 December 31, 2016 and 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 (31/12/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
I. Deposits	II-a	84.848.505	69.626.351	154.274.856	67.190.566	59.718.327	126.908.893
1.1 Deposits of the Bank's risk group		8.221.813	14.113.290	22.335.103	7.510.140	8.171.531	15.681.671
1.2 Other		76.426.692	55.513.061	131.939.753	59.680.426	51.546.796	111.227.222
II. Derivative financial liabilities held for trading	II-b	2.162.389	363.137	2.525.526	1.622.210	231.296	1.853.506
III. Funds borrowed	II-c	543.244	27.451.618	27.994.862	653.885	22.961.865	23.615.730
IV. Money markets		4.294.113	1.563.675	5.857.788	10.129.554	2.165.386	12.294.940
4.1 Funds from interbank money market		-	-	-	1.887.563	-	1.887.563
4.2 Funds from BIST		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements		4.294.113	1.563.675	5.857.788	8.241.991	2.165.386	10.407.377
V. Marketable securities issued (net)	II-ç	1.719.641	7.525.077	9.244.718	2.769.469	6.798.094	9.567.563
5.1 Bills		1.399.791	86.665	1.486.456	2.106.752	451.305	2.558.057
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		319.850	7.438.412	7.758.262	662.717	6.346.789	7.009.506
VI. Funds		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. Miscellaneous payables		8.878.296	1.758.713	10.637.009	7.871.009	1.267.139	9.138.148
VIII. Other liabilities	II-d	1.575.848	314.654	1.890.502	1.787.460	890.731	2.678.191
IX. Factoring payables		-	-	-	-	-	-
X. Lease payables (net)	II-e	-	1.112	1.112	-	-	-
10.1 Financial lease payables		-	1.130	1.130	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred lease expenses (-)		-	(18)	(18)	-	-	-
XI. Derivative financial liabilities held for hedging	II-f	66.263	22.525	88.788	38.814	108.660	147.474
11.1 Fair value hedge		49.949	-	49.949	3.427	-	3.427
11.2 Cash flow hedge		16.314	22.525	38.839	35.387	108.660	144.047
11.3 Foreign net investment hedge		-	-	-	-	-	-
XII. Provisions	II-g	3.252.175	1.311.400	4.563.575	2.866.013	985.521	3.851.534
12.1 General loan loss provision		1.833.501	1.208.819	3.042.320	1.658.831	913.159	2.571.990
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Reserve for employee rights		287.881	-	287.881	268.166	-	268.166
12.4 Insurance technical provisions (net)		-	-	-	-	-	-
12.5 Other provisions		1.130.793	102.581	1.233.374	939.016	72.362	1.011.378
XIII. Tax liability	II-ğ	554.362	-	554.362	594.239	-	594.239
13.1 Current tax liability		296.752	-	296.752	480.305	-	480.305
13.2 Deferred tax liability		257.610	-	257.610	113.934	-	113.934
XIV. Liabilities for property and equipment held for sale and related to discontinued operations (net)	II-h	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. Subordinated loans	II-ı	-	9.067.893	9.067.893	-	6.635.191	6.635.191
XVI. Shareholders' equity	II-j	24.705.325	1.413.222	26.118.547	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		3.666.340	1.413.222	5.079.562	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		394.466	1.315.943	1.710.409	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)		66.059	97.279	163.338	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		1.197.713	-	1.197.713	1.192.706	-	1.192.706
16.3 Profit reserves		13.759.139	-	13.759.139	11.901.355	-	11.901.355
16.3.1 Legal reserves		844.539	-	844.539	751.512	-	751.512
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		12.913.149	-	12.913.149	11.148.251	-	11.148.251
16.3.4 Other profit reserves		1.451	-	1.451	1.592	-	1.592
16.4 Income or (loss)		2.932.795	-	2.932.795	1.860.545	-	1.860.545
16.4.1 Prior years' income or (loss)		-	-	-	-	-	-
16.4.2 Current year income or (loss)		2.932.795	-	2.932.795	1.860.545	-	1.860.545
Total Liabilities		132.400.161	120.419.377	252.819.538	117.306.844	103.062.576	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 December 31, 2016 and 2015

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

II. Off-balance sheet commitments

	Note (Section Five)	Current Period (31/12/2016)			Prior Period (31/12/2015)		
		TL	FC	Total	TL	FC	Total
A	Off-balance sheet commitments (II+III)	158.620.046	238.642.521	398.262.567	158.883.297	208.585.077	367.468.374
I.	Guarantees and warranties	21.614.582	46.253.958	67.868.540	18.076.523	38.964.548	57.041.071
1.1	Letters of guarantee	21.568.691	31.069.502	52.638.283	18.031.594	26.932.137	44.963.731
1.1.1	Guarantees subject to state tender law	471.441	930.593	1.402.034	522.480	1.134.888	1.657.366
1.1.2	Guarantees given for foreign trade operations	2.597.219	30.138.999	32.736.218	2.329.832	25.797.251	28.127.083
1.1.3	Other letters of guarantee	18.500.031	-	18.500.031	15.179.282	-	15.179.282
1.2	Bank acceptances	-	195.766	195.766	-	173.524	173.524
1.2.1	Import letter of acceptance	-	195.766	195.766	-	173.524	173.524
1.2.2	Other bank acceptances	-	-	-	-	-	-
1.3	Letters of credit	11.407	8.749.767	8.761.174	11.483	7.636.526	7.648.009
1.3.1	Documentary letters of credit	11.407	8.749.767	8.761.174	11.483	7.636.526	7.648.009
1.3.2	Other letters of credit	-	-	-	-	-	-
1.4	Refinancing 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	34.484	1.960.487	1.994.971	33.446	1.430.529	1.463.975
1.9	Other warranties	-	4.278.346	4.278.346	-	2.791.832	2.791.832
II.	Commitments	53.181.915	25.549.089	78.731.004	60.273.748	26.213.733	86.487.481
2.1	Irrevocable commitments	52.743.486	13.663.919	66.407.405	59.611.290	19.308.750	78.920.040
2.1.1	Asset purchase and sale commitments	3.706.202	12.562.607	16.268.809	13.018.015	17.850.621	30.868.636
2.1.2	Deposit purchase and sales commitments	27.500	6.581	34.081	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries	-	-	-	-	-	-
2.1.4	Loan granting commitments	8.008.276	869.605	8.877.881	7.816.459	1.268.554	9.085.013
2.1.5	Securities issue brokerage commitments	-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7	Commitments for cheques	6.686.199	-	6.686.199	6.521.085	-	6.521.085
2.1.8	Tax and fund liabilities from export commitments	6.014	-	6.014	6.376	-	6.376
2.1.9	Commitments for credit card limits	29.878.711	-	29.878.711	28.304.464	-	28.304.464
2.1.10	Commitments for credit cards and banking services promotions	18.409	-	18.409	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	4.412.175	225.126	4.637.301	3.931.081	189.375	4.120.456
2.2	Revocable commitments	438.429	11.885.170	12.323.599	662.458	6.904.983	7.567.441
2.2.1	Revocable loan granting commitments	438.429	11.885.170	12.323.599	662.458	6.904.983	7.567.441
2.2.2	Other revocable commitments	-	-	-	-	-	-
III.	Derivative financial instruments	83.823.549	167.839.474	251.663.023	80.533.026	143.406.796	223.939.822
3.1	Derivative financial instruments for hedging purposes	29.149.741	22.976.994	52.126.735	27.698.936	30.810.144	58.509.080
3.1.1	Transactions for fair value hedge	422.791	1.689.923	2.112.714	571.986	823.018	1.395.004
3.1.2	Transactions for cash flow hedge	28.726.950	21.287.071	50.014.021	27.126.950	29.987.126	57.114.076
3.1.3	Transactions for foreign net investment hedge	-	-	-	-	-	-
3.2	Trading transactions	54.673.808	144.862.480	199.536.288	52.834.090	112.596.652	165.430.742
3.2.1	Forward foreign currency buy/sell transactions	5.836.870	9.168.354	15.005.224	3.482.444	8.095.245	8.577.689
3.2.1.1	Forward foreign currency transactions-buy	2.022.577	5.425.889	7.448.466	1.038.783	3.677.607	4.716.390
3.2.1.2	Forward foreign currency transactions-sell	3.814.293	3.742.465	7.556.758	2.443.661	2.417.638	4.861.299
3.2.2	Swap transactions related to foreign currency and interest rates	37.500.424	109.501.198	147.001.622	38.264.411	87.202.512	125.466.923
3.2.2.1	Foreign currency swap-buy	12.124.291	37.791.825	49.916.216	8.559.166	36.806.078	45.365.244
3.2.2.2	Foreign currency swap-sell	20.836.133	28.669.215	49.505.348	29.705.245	16.146.254	45.851.499
3.2.2.3	Interest rate swap-buy	2.270.000	21.520.029	23.790.029	17.125.090	17.125.090	17.125.090
3.2.2.4	Interest rate swap-sell	2.270.000	21.520.029	23.790.029	17.125.090	17.125.090	17.125.090
3.2.3	Foreign currency, interest rate and securities options	6.062.482	13.199.550	19.262.032	6.682.132	8.581.247	15.243.379
3.2.3.1	Foreign currency options-buy	2.134.509	6.547.706	8.682.215	1.973.220	4.682.492	6.655.712
3.2.3.2	Foreign currency options-sell	3.427.973	5.479.950	8.907.923	3.208.912	3.501.087	6.709.999
3.2.3.3	Interest rate options-buy	250.000	585.947	835.947	750.000	188.834	938.834
3.2.3.4	Interest rate options-sell	250.000	585.947	835.947	750.000	188.834	938.834
3.2.3.5	Securities options-buy	-	-	-	-	-	-
3.2.3.6	Securities options-sell	-	-	-	-	-	-
3.2.4	Foreign currency futures	-	-	-	-	-	-
3.2.4.1	Foreign currency futures-buy	-	-	-	-	-	-
3.2.4.2	Foreign currency futures-sell	-	-	-	-	-	-
3.2.5	Interest rate futures	-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy	-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell	-	-	-	-	-	-
3.2.6	Other	5.274.032	12.993.378	18.267.410	4.405.103	10.737.648	15.142.751
B.	Custody and pledges received (IV+V+VI)	510.532.152	259.877.200	770.409.352	242.962.083	65.545.734	308.507.817
IV.	Items held in custody	265.934.364	181.684.033	447.618.397	76.564.370	7.734.979	84.299.349
4.1	Customer fund and portfolio balances	-	-	-	-	-	-
4.2	Investment securities held in custody	245.510.328	180.952.854	426.463.182	57.175.411	6.775.452	63.950.863
4.3	Checks received for collection	15.835.668	118.906	15.954.574	15.576.521	145.317	15.721.838
4.4	Commercial notes received for collection	4.543.821	574.974	5.118.795	3.770.663	774.018	4.544.681
4.5	Other assets received for collection	-	40.085	40.085	-	34.137	34.137
4.6	Assets received for public offering	-	-	-	-	-	-
4.7	Other items under custody	44.547	7.214	51.761	41.775	6.055	47.830
4.8	Custodians	-	-	-	-	-	-
V.	Pledges received	240.607.924	77.358.701	317.966.625	162.367.478	57.050.576	219.424.054
5.1	Marketable securities	179.680	390	180.070	185.826	322	186.148
5.2	Guarantee notes	1.000.765	267.379	1.268.144	1.063.319	271.797	1,335,116
5.3	Commodity	25.813	-	25.813	21.095	-	21.095
5.4	Warrants	-	-	-	-	-	-
5.5	Properties	104,128,522	67,046,308	171,174,830	88,195,061	45,270,237	133,465,298
5.6	Other pledged items	135,273,144	10,038,359	145,311,503	72,902,177	11,509,028	84,411,203
5.7	Pledged items-depository	-	6,265	6,265	-	5,194	5,194
VI.	Accepted independent guarantees and warranties	3.989.864	824.466	4.814.330	4.030.235	754.179	4,784,414
Total off-balance sheet commitments (A+B)		569.152.198	499.519.721	1,168,671,919	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 December 31, 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- 31/12/2016)	Prior Period (01/01/2015- 31/12/2015)
I. Interest Income	IV-a	17.845.482	15.292.461
1.1 Interest on loans	IV-a-1	15.276.920	12.805.914
1.2 Interest received from reserve deposits		118.629	43.303
1.3 Interest received from banks	IV-a-2	48.725	31.724
1.4 Interest received from money market transactions		21.535	37.842
1.5 Interest received from marketable securities portfolio	IV-a-3	2.377.445	2.372.800
1.5.1 Trading financial assets		5.302	11.284
1.5.2 Financial assets at fair value through profit or (loss)		-	-
1.5.3 Available-for-sale financial assets		1.664.548	1.943.299
1.5.4 Held to maturity investments		707.595	418.217
1.6 Financial lease income		-	-
1.7 Other interest income		2.228	878
II. Interest expense	IV-b	(10.210.836)	(8.450.239)
2.1 Interest on deposits	IV-b-4	(7.905.466)	(6.248.179)
2.2 Interest on funds borrowed	IV-b-1	(998.811)	(866.440)
2.3 Interest expense on money market transactions		(692.397)	(683.261)
2.4 Interest on securities issued	IV-b-3	(603.276)	(639.864)
2.5 Other interest expenses		(10.886)	(12.495)
III. Net interest income (I + II)		7.634.646	6.842.222
IV. Net fees and commissions income		2.825.515	2.688.104
4.1 Fees and commissions received		3.590.255	3.408.772
4.1.1 Non-cash loans		469.598	402.960
4.1.2 Other	IV-i	3.120.657	3.005.812
4.2 Fees and commissions paid		(764.740)	(720.668)
4.2.1 Non-cash loans		(127)	(480)
4.2.2 Other		(764.613)	(720.188)
V. Dividend income	IV-c	80	2.971
VI. Trading gain/(loss) (net)	IV-ç	76.258	(787.924)
6.1 Trading gains/(losses) on securities		40.488	260.620
6.2 Derivative financial transactions gains/(losses)	IV-d	(9.172)	845.716
6.3 Foreign exchange gains/(losses)		44.942	(1.894.260)
VII. Other operating income	IV-e	551.799	607.889
VIII. Total operating income (III+IV+V+VI+VII)		11.088.298	9.353.262
IX. Provision for impairment of loans and other receivables (-)	IV-f	(2.843.576)	(2.521.496)
X. Other operating expenses (-)	IV-g	(5.076.509)	(4.810.418)
XI. Net operating income/(loss) (VIII-IX-X)		3.168.213	2.021.348
XII. Excess amount recorded as income after merger		-	-
XIII. Income/(loss) from investments accounted based on equity method		476.472	368.140
XIV. Income/(loss) on net monetary position		-	-
XV. Profit/loss before taxes from continuing operations (XI+XII+XIII+XIV)	IV-ğ	3.644.685	2.389.488
XVI. Tax provision for continuing operations (±)	IV-h	(711.890)	(528.943)
16.1 Current tax provision		(540.460)	(328.064)
16.2 Deferred tax provision		(171.430)	(200.879)
XVII. Net profit/loss from continuing operations (XV±XVI)		2.932.795	1.860.545
XVIII. Income from discontinued operations		-	-
18.1 Income from non-current assets held for resale		-	-
18.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
18.3 Other income from discontinued operations		-	-
XIX. Expenses from discontinued operations (-)		-	-
19.1 Expenses for non-current assets held for resale		-	-
19.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
19.3 Other expenses from discontinued operations		-	-
XX. Profit/losses before taxes from discontinued operations (XVIII-XIX)	IV-ğ	-	-
XXI. Tax provision for discontinued operations (±)	IV-h	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. Net profit/loss from discontinued operations (XX±XXI)		-	-
XXIII. Net profit/loss (XVII+XXII)	IV-ı	2.932.795	1.860.545
Earnings/(loss) per share (full TL)		0,0067	0,0043

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 December 31, 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 (31/12/2016)	Prior Period (31/12/2015)
I.	Transfers to marketable securities valuation differences from financial assets available for sale	(248.090)	(937.789)
II.	Property and equipment revaluation differences	-	1.505.048
III.	Intangible assets revaluation differences	-	-
IV.	Currency translation differences for foreign currency transactions	44.230	17.841
V.	Profit/loss on cash flow hedges (effective part of the fair value changes)	147.084	744.688
VI.	Profit/loss on foreign net investment hedges (effective part of the fair value changes)	(201.497)	(68.267)
VII.	Effects of changes in accounting policy and adjustment of errors	-	-
VIII.	Other income and expense items accounted under shareholders' equity according to TAS	332.260	151.260
IX.	Deferred tax on valuation differences	27.754	(7.014)
X.	Net profit or loss accounted directly under shareholders' equity (I+II+...+IX)	101.741	1.405.767
XI.	Current year profit/loss	2.932.795	1.860.545
11.1	Net change in fair value of marketable securities (recycled to profit-loss)	235.260	261.171
11.2	Part of cash flow hedge derivative financial instruments reclassified and presented on the income statement	(44.407)	(89.216)
11.3	Part of foreign net investment hedges reclassified and presented on the income statement	-	-
11.4	Other	2.741.942	1.688.590
XII.	Total income/loss accounted for the period (X+XI)	3.034.536	3.266.312

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 December 31, 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 Intangible assets revaluation fund	Bonus shares from investments	Hedging revaluation funds	Assets held for resale/ discontinued operations Hedging revaluation fund	Total shareholders' equity
December 31, 2015																	
I. Period opening balance		4,347,051	-	543,881	-	841,000	-	9,815,284	1,174,234	2,056,511	-	1,905,155	18,485	15,107	(297,009)	-	20,217,889
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 (MİT)		4,347,051	-	543,881	-	841,000	-	9,815,284	1,174,234	2,056,511	-	1,905,155	18,485	15,107	(297,009)	-	20,217,889
IV. Changes in the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(725,958)	-	-	-	-	(725,958)
VI. Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	541,138	-	541,138
6.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	595,752	-	595,752
6.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(54,614)	-	(54,614)
VII. Property and equipment revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	1,430,571	-	-	-	1,430,571
IX. Bonus shares from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	-	45,050	-	-	(30,778)	-	14,272
XII. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	128,165	-	-	-	-	128,165
14.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Paid in-capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current year income or loss		-	-	-	-	-	-	-	18,577	(211,545)	-	211,545	-	-	-	-	18,577
XX. Profit distribution		-	-	-	-	-	-	-	1,332,967	1,860,545	-	-	-	-	-	-	1,860,545
20.1 Dividend paid		-	-	-	-	-	-	-	1,487	(1,844,866)	-	-	-	-	-	-	(400,000)
20.2 Transfers to reserves		-	-	-	-	-	-	-	1,332,967	(400,000)	-	-	-	-	-	-	(400,000)
20.3 Other		-	-	-	-	-	-	-	1,487	(1,444,866)	-	-	-	-	-	-	-
Period end balance (III+IV+V+.....+ XVIII +XIX+XX)		4,347,051	-	543,881	-	761,512	-	11,148,251	1,184,298	1,860,545	-	1,860,959	1,448,056	15,107	213,251	-	23,094,011

GÜNEY

BAĞIMSIZ DENETİM ve

MESLEKİ MÜHÜR
Maslak Mah. Eski Büyükdere Cad. No:27
Daire:54-57-59 Kat:5 Sarıyer / İSTANBUL
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-600001

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 December 31, 2016

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

V. Statement of changes in shareholders' equity

Current Period	Note (Section five)	Paid-in capital	Adjustment to share capital	Share premium	Share cancellati on profits	Legal reserves	Status reserves	Extra ord. reserves	Other reserves	Current period net income/(loss)	Marketable securities value increase fund	Property and equipment and intangible assets revaluation fund	Bonus shares from investments	Hedging funds	Assets held for resale/ discontinued operations revaluation fund	Total shareholders' equity
December 31, 2016		4,347,051	-	543,881	-	751,512	-	11,140,251	1,194,298	1,850,546	1,960,939	1,449,066	15,107	213,351	-	23,084,011
I. Prior period end balance																
Changes in the period																
II. Increase/decrease due to the merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	(221,858)	-	-	-	-	(221,858)
IV. Hedging transactions (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	(43,531)	-	(43,531)
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign net investment hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the disposal of assets		-	-	-	-	-	-	-	-	-	41,887	-	-	(6,482)	-	35,385
X. Changes due to the reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of the changes in equity of investment in associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	329,441	-	-	-	-	329,441
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		-	-	-	-	-	-	-	2,246	-	-	-	-	-	-	2,246
XVIII. Profit distribution		-	-	-	-	-	-	-	-	2,932,795	-	-	-	-	-	2,932,795
18.1 Dividend paid		-	-	-	-	93,027	-	-	1,764,888	(1,860,546)	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	93,027	-	-	2,620	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(1,860,545)	-	-	-	-	-	-
Period end balance (I+II+III+...+XVI+XVII+XVIII)		4,347,051	-	543,881	-	844,539	-	12,913,149	1,199,164	2,932,795	1,710,409	1,449,066	15,166	103,338	-	26,118,547

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 December 31, 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 (31/12/2016)	Prior Period (31/12/2015)
A. Cash flows from banking operations			
1.1 Operating profit before changes in operating assets and liabilities		1.095.844	3.907.382
1.1.1 Interest received		16.587.274	15.183.618
1.1.2 Interest paid		(9.927.456)	(8.430.372)
1.1.3 Dividend received		98.440	114.201
1.1.4 Fees and commissions received		3.590.255	3.408.772
1.1.5 Other income		(383.282)	1.668.658
1.1.6 Collections from previously written-off loans and other receivables		1.046.425	1.243.318
1.1.7 Payments to personnel and service suppliers		(4.299.229)	(3.930.810)
1.1.8 Taxes paid		(922.274)	(453.666)
1.1.9 Other	VI-c	(4.694.309)	(4.896.337)
1.2 Changes in operating assets and liabilities		1.545.279	838.004
1.2.1 Net (increase)/decrease in trading securities		29.110	28.804
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		440.423	(2.547.475)
1.2.4 Net (increase)/decrease in loans		(26.105.996)	(29.305.084)
1.2.5 Net (increase)/decrease in other assets		(1.345.131)	(747.717)
1.2.6 Net increase /(decrease) in bank deposits		2.835.348	2.205.681
1.2.7 Net increase /(decrease) in other deposits		24.279.605	19.536.869
1.2.8 Net increase /(decrease) in funds borrowed		(1.853.624)	11.420.375
1.2.9 Net increase /(decrease) in payables		-	-
1.2.10 Net increase /(decrease) in other liabilities	VI-c	3.265.544	246.551
I. Net cash flows from banking operations		2.641.123	4.745.386
B. Cash flows from investing activities			
II. Net cash flows from investing activities		2.559.829	(6.344.362)
2.1 Cash paid for acquisition of investments in associates, subsidiaries and joint ventures		-	(9.800)
2.2 Cash obtained from disposal of investments in associates, subsidiaries and joint ventures		-	-
2.3 Purchases of property and equipment		(374.498)	(478.403)
2.4 Disposals of property and equipment		94.448	80.622
2.5 Purchase of investments available-for-sale		(13.413.488)	(20.552.522)
2.6 Sale of investments available-for-sale		17.583.000	15.208.036
2.7 Purchase of investment securities		(1.329.699)	(592.353)
2.8 Sale of investment securities		66	58
2.9 Other		-	-
C. Cash flows from financing activities			
III. Net cash flows from financing activities		(552.683)	(359.522)
3.1 Cash obtained from funds borrowed and securities issued		8.178.136	7.341.567
3.2 Cash used for repayment of funds borrowed and securities issued		(8.728.897)	(7.300.117)
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	(400.000)
3.5 Payments for finance leases		(1.922)	(972)
3.6 Other		-	-
IV. Effect of change in foreign exchange rates on cash and cash equivalents	VI-c	989.614	1.077.239
V. Net increase in cash and cash equivalents (I+II+III+IV)		5.637.883	(881.259)
VI. Cash and cash equivalents at beginning of the period	VI-a	8.319.936	9.201.195
VII. Cash and cash equivalents at end of the period	VI-a	13.957.819	8.319.936

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 December 31, 2016

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

VII. Profit appropriation statement ⁽¹⁾

	Current Period (31/12/2016)	Prior Period (31/12/2015)
I. Distribution of current year income		
1.1 Current year income	3.644.685	2.389.488
1.2 Taxes and duties payable (-)	(711.890)	(528.943)
1.2.1 Corporate tax (income tax)	(540.480)	(328.064)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(171.430)	(200.879)
A. Net Income for the year (1.1-1.2)	2.932.795	1.860.545
1.3 Prior year losses (-)	-	-
1.4 First legal reserves (-)	-	93.027
1.5 Other statutory reserves (-)	-	-
B. Net income available for distribution [(a-(1.3+1.4+1.5))]	2.932.795	1.767.518
1.6 First dividend to shareholders (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of preferred shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of preferred shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	-
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	1.764.898
1.13 Other reserves	-	-
1.14 Special funds	-	2.620
II. Distribution of reserves		
2.1 Appropriated reserves	-	-
2.2 Second legal reserves (-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of preferred shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
III. Earnings per share		
3.1 To owners of ordinary shares	0,0067	0,0043
3.2 To owners of ordinary shares (%)	-	-
3.3 To owners of privileged shares	-	-
3.4 To owners of privileged shares (%)	-	-
IV. Dividend per share		
4.1 To owners of ordinary shares	-	-
4.2 To owners of ordinary shares (%)	-	-
4.3 To owners of privileged shares	-	-
4.4 To owners of privileged shares (%)	-	-

- (1) Authorized body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, yearly ordinary meeting of the General Assembly has not been held yet. Since the profit appropriation proposal for the year 2016 has not been prepared by the Board of Directors, only net profit related to the year 2015, which is base for the profit appropriation calculation, has been disclosed. The aforementioned amount also includes 75% of gains on sales of property and equipment, and share certificates amounting to TL 146.050 which are not going to be distributed and are going to be held in reserves according to the article 5/1-e of Corporate Tax Law No. 5520.

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 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 preparation and fair presentation of the financial statement and used principles of valuation in accordance with "Accounting and Reporting Legislation" published in the regulation, communiqué, interpretations and circular published by BRSA and If any specific regulation has been made by BRSA, it has been determined and applied according to the principles of TAS.

The effects of TFRS 9, "Financial Instruments" 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.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 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 TL non-performing loans accounts.

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

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 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 option 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 (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or 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.

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2016

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

Accounting policies (continued)

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".

"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 December 31, 2016, the Bank's credit derivatives portfolio included in the off-balance sheet accounts is composed of credit linked notes (embedded derivatives are separated from host contract in line with TAS 39 and recorded as credit default swaps), total return swaps and credit default swaps.

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

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

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

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

Yapı ve Kredi Bankası A.Ş.

Unconsolidated financial statements as of December 31, 2016

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

Accounting policies (continued)

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.

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.

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Accounting policies (continued)

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.

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.

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.

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Accounting policies (continued)

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

b. Other intangible assets:

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for impairment.

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

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

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

XIII. Explanations on property and equipment:

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

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

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.

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Accounting policies (continued)

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.

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.

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Accounting policies (continued)

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.

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.

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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 23 April 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.

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.

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Accounting policies (continued)

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.

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.

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Accounting policies (continued)

XVIII. Explanations on borrowings:

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

Bank, classified its part of the financial debts as fair value through profit / loss on financial liabilities. Difference between fair value of the debt and amortised cost of the debt together with the interest expense paid on financial instrument is presented as trading gain and losses in the accompanying financial statements.

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).

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.

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

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Accounting policies (continued)

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	2.932.795	1.860.545
Weighted average number of issued ordinary shares(thousand)	434.705.128	434.705.128
Earnings per share from continued operations (full TL)	0,0067	0,0043

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

No bonus shares were issued during 2016 (2015 - None).

XXIV. Related parties:

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

XXV. Explanations on operating segments:

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

XXVI. Explanations on other matters:

None.

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

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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 14,21% (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	5.185.457	
Profit	2.932.795	
Net profit of the period	2.932.795	
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	26.783.488	
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	18.141	
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	664.940	
Improvement costs for operating leasing	109.050	
Goodwill (net of related tax liability)	587.696	979.493
Other intangibles other than mortgage-servicing rights (net of related tax liability)	306.021	510.035
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Cash-flow hedge reserve	379.150	
Shortfall of provisions to expected losses	-	
Securitisation gain on sale	-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Investments in own shares	-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage servicing rights (amount above 10% threshold)	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding the 15% threshold (-) of the common equity Tier 1 in accordance with the second paragraph of the provisional article 2 in the regulation regarding the Banks' Shareholders' Equity	-	
The amount above threshold for the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank owns more than 10% of the issued share capital	455.257	
The amount above threshold for mortgage servicing rights	-	
The amount above threshold for deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments which shall be determined by the BRSA	-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
Total regulatory adjustments to Common equity Tier 1	2.520.255	
Common Equity Tier 1 capital (CET1)	24.263.233	

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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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	595.811	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	-	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	23.667.422	
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	5.472.356	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	1.066.560	
Provisions (Article 8 of the Regulation on the Equity of Banks)	2.689.286	
Tier 2 capital before regulatory adjustments	9.228.202	
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	109.452	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the BRSA	-	-
Total regulatory adjustments to Tier 2 capital	109.452	
Total Tier 2 capital	9.118.750	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	32.567.023	
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	13.431	
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	11.868	
National specific regulatory adjustments which shall be determined by the BRSA	193.850	
Regulatory Adjustments which will be deducted from Total Capital during the transition period		
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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Information related to financial position of the Bank (continued)

OWN FUNDS	Current Period
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	32,567,023
Total Risk Weighted Assets	229,213,155
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	10,59
Tier 1 Capital Adequacy Ratio (%)	10,33
Capital Adequacy Ratio (%)	14,21
BUFFERS	
Institution specific buffer requirement of the Bank	5,508
Capital conservation buffer requirement (%)	0,625
Bank's specific countercyclical buffer requirement (%)	0,008
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	4,588
Amounts below the thresholds for deduction (before risk weighting)	
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	1,126,265
Applicable caps on the inclusion of provisions in Tier 2 capital	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	3,042,320
Up to 1.25% of total risk-weighted amount of general provisions for receivables where the standard approach used	2,689,286
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.

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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	-

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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 arising rights	-
Net deferred tax assets arising from temporary differences	922.860

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Information related to financial position of the Bank (continued)

b. Details on Subordinated Liabilities⁽¹⁾:

Issuer	1		2		3		4	
	UNICREDIT SPA	UNICREDIT SPA	BRSA / Austria Law	BRSA / Austria Law	Yapı ve Kredi Bankası A.Ş.	Yapı ve Kredi Bankası A.Ş.	English Law / Turkish Law	English Law / Turkish Law
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-	XS0861879440/US98484BA673	XS1376681067	-	-
Governing law(s) of the instrument	Regulatory treatment		Regulatory treatment		Regulatory treatment		Regulatory treatment	
Transitional Based III rules	No	No	No	No	Yes	Yes	No	No
Eligible at stand-alone / consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated	Stand-alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan	Bond	Bond	Bond	Bond
Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	2,058	1,854	1,854	1,854	1,067	1,067	1,760	1,760
Par value of instrument	2,059	1,854	1,854	1,854	3,519	3,519	1,760	1,760
Accounting classification	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost	Liability -	Liability -	Subordinated Loans - amortised cost	Subordinated Loans - amortised cost
Original date of issuance	January 9, 2013	December 18, 2013	December 18, 2013	December 18, 2013	December 6, 2012	December 6, 2012	March 8, 2018	March 8, 2018
Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
Original maturity date	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year
Subsequent call dates, if applicable	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year	After 5th year
Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
Coupon rate and any related index	5.7%	6.55%	6.55%	6.55%	5.5%	5.5%	8.63%	8.63%
Existence of a dividend stopper	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount	-	-	No interest accrue after the date of value decrease for the decreased amount	No interest accrue after the date of value decrease for the decreased amount
Existence of step up or other incentive to redeem	-	-	-	-	-	-	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative	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	Noncumulative	Cumulative	Cumulative
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Cumulative	Cumulative
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)	Write-down feature	Write-down feature	Write-down feature	Write-down feature	Write-down feature	Write-down feature	Write-down feature	Write-down feature
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 subord, same with TIER 2	After the senior creditors, before the TIER 1 subord, same with TIER 2	After the senior creditors, before the TIER 1 subord, same with TIER 2	After the senior creditors, before the TIER 1 subord, same with TIER 2	After the senior creditors, before the TIER 1 subord, same with TIER 2	After the senior creditors, before the TIER 1 subord, same with TIER 2	After the senior creditors, before the TIER 1 subord, same with TIER 2	After the senior creditors, before the TIER 1 subord, same with TIER 2
In compliance with article number 7 and 8 of "Own fund regulation"	No	No	No	No	Yes	Yes	No	No
Details of non-compliance with article number 7 and 8 of "Own fund regulation"	-	-	-	-	8-2-3	8-2-3	-	-

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

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Information related to financial position of the Bank (continued)

c. Approaches for assessment of adequacy of internal capital requirements for current and future activities

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".

ç. Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	173.880.640	-	173.880.640
Malta	635.734	-	635.734
Italy	488.719	-	488.719
Russia	335.393	-	335.393
USA	315.266	-	315.266
Germany	204.628	-	204.628
Azerbaijan	195.511	-	195.511
France	193.240	-	193.240
Netherlands	191.698	-	191.698
Kazakhstan	114.717	-	114.717
Other	731.314	-	731.314
Total	177.286.860	-	177.286.860

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Information related to financial position of the Bank (continued)

II. Explanations on credit risk:

- a. Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations.

Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

Different rating systems are used for Small and Medium Sized Entities (SME), Corporate and Commercial customers during the underwriting process of the Bank. The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of Corporate, Commercial and SME customers. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

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Information related to financial position of the Bank (continued)

Probability of default of a customer is calculated through this internally developed rating system. The rating concentration of Corporate and Commercial customers of the Parent Bank is as follows:

	Current Period	Prior Period
Above average (1-4)	45,2%	47,5%
Average (5+ -6)	44,3%	44,0%
Below average (7+ -9)	10,6%	8,6%

The Bank takes the following criteria into consideration for the accounting of impaired and past due loans:

The loan is overdue more than 90 days.

The borrower is not able to pay at least one of the loans he received from the Bank (cross default)

Having a negative intelligence and bad-record for the borrower in the market.

Deterioration of the creditworthiness of the borrower

The Bank sets aside specific and general provisions with respect to "value adjustments" procedures in accordance with the Provisioning Regulation.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk classifications:	Current period risk amount ⁽¹⁾	Average risk amount
Conditional and unconditional receivables from central governments or central banks	61.657.035	58.856.607
Conditional and unconditional receivables from regional or local governments	167	167
Conditional and unconditional receivables from administrative units and non-commercial enterprises	532.833	44.643
Conditional and unconditional receivables from multilateral development banks	15.356	23.395
Conditional and unconditional receivables from banks and brokerage houses	17.689.067	17.289.080
Conditional and unconditional receivables from corporates	120.960.102	104.364.153
Conditional and unconditional retail receivables	76.125.736	69.428.137
Conditional and unconditional receivables secured by mortgages	15.398.665	16.527.410
Past due receivables	2.052.682	1.667.083
Receivables defined as high risk category by the Regulator	206.858	2.804.628
Investment in equities	4.306.146	3.363.301
Other receivables	9.629.325	9.391.243
Total	308.573.972	283.759.847

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

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Information related to financial position of the Bank (continued)

- b. The Bank has control limits over the positions of forwards, options and similar agreements. These positions are measured and managed by following their market values and by taking potential risk into considerations throughout their maturities, in accordance with Counterparty Credit Risk management. Limits are also calculated and dynamically managed by taking these potential risks into considerations. Daily market value calculations, limit controls, collateral assessments are performed and reported to the relevant departments within the Bank.

The Bank may use its rights, as stated in the derivative agreements based on which the Bank realizes derivative transactions, in order to eliminate the credit risks that may arise due to being exposed to severe credit risk levels arising from fluctuations in the market.

- c. In line with the Provisioning Regulation, if the cash risk of a customer is classified as nonperforming, the non-cash risk is also classified as nonperforming under the same group where the cash risks were already followed and specific provision is reserved.

Restructured loans are also classified and followed up according to the regulation on provisions considering the Bank's credit risk policies. Accordingly, the financial position and commercial operations of related customers are monitored, their principal and interest payments are followed up with the restructured repayment schedule and the necessary precautions are taken.

- ç. Banking activities in foreign countries and credit transactions are subject to periodical follow-up in terms of the economic conditions of the related country and the evaluation of the creditworthiness of the customers and financial institutions. No material risks have been observed in scope of these operations.

- d. 1. The proportion of the Bank's top 100 and 200 cash loan balances in total cash loans is 27% and 35%.
2. The proportion of the Bank's top 100 and 200 non-cash loan balances in total non-cash loans is 48% and 61%.
3. The proportion of the Bank's cash and non-cash loan balances with the first 100 and 200 customers comprises of 26% and 35% of total cash loans and non-cash loans.
- e. The Bank provided a general loan loss provision amounting to TL 3.042.320 (December 31, 2015 - TL 2.571.990).

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Information related to financial position of the Bank (continued)

f. Risk profile according to the geographical concentration:

	Risk Classifications ⁽¹⁾⁽²⁾												Total
	1	2	3	4	5	6	7	8	9	10	11	12	
Current Period													
Domestic	61.657.035	167	532.833	-	5.733.165	116.998.941	76.105.849	15.397.160	2.019.664	206.855	7.770	9.174.068	287.833.507
EU countries	-	-	-	8.438	9.558.979	1.318.076	8.511	642	3.976	2	-	-	10.898.624
OECD countries ⁽³⁾	-	-	-	-	228.710	651.368	1.572	100	-	-	-	-	881.750
Off-shore banking regions	-	-	-	-	1.073.277	142.838	5.280	-	8.399	-	-	-	1.229.794
USA, Canada	-	-	-	6.918	867.735	1.124.708	1.749	138	-	-	60.849	-	2.062.097
Other countries	-	-	-	-	227.201	724.171	2.775	625	20.643	1	-	-	975.416
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	4.237.527	455.257	4.692.784
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	61.657.035	167	532.833	15.356	17.689.067	120.960.102	76.125.736	15.398.665	2.052.682	206.858	4.306.146	9.629.325	308.573.972
Prior Period													
Domestic	58.252.320	159	204	-	8.683.972	88.743.300	49.134.725	25.142.756	1.381.372	15.789.379	-	6.439.711	253.567.898
EU countries	-	-	-	7.309	7.627.861	1.154.091	5.044	2.357	98	818	-	12.934	8.810.512
OECD countries ⁽³⁾	-	-	-	-	145.113	775.066	405	1.129	-	82	-	-	921.795
Off-shore banking regions	-	-	-	-	229.648	176.012	3.011	-	8.399	8	-	-	417.078
USA, Canada	-	-	-	23.490	1.229.097	501.660	2.244	87	29	127	-	-	1.756.734
Other countries	-	-	-	-	277.741	951.067	2.680	1.125	20.602	171	-	-	1.253.386
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	3.626.239	3.626.239
Undistributed Assets / Liabilities ⁽⁴⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	58.252.320	159	204	30.799	18.193.432	92.301.196	49.148.109	25.147.454	1.410.500	15.790.585	-	10.078.884	270.353.642

- (1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.
(3) OECD Countries other than EU countries, USA and Canada.
(4) Assets and liabilities are not allocated on a consistent basis

- 1-Conditional and unconditional receivables from central governments or central banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
4-Conditional and unconditional receivables from multilateral development banks
5-Conditional and unconditional receivables from banks and brokerage houses
6-Conditional and unconditional receivables from corporates
7-Conditional and unconditional retail receivables
8-Conditional and unconditional receivables secured by mortgages
9-Past due receivables
10-Receivables defined as high risk category by the Regulator
11-Investment in equities
12-Other receivables

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Information related to financial position of the Bank (continued)

g. Risk profile according to sectors and counterparties:

	Risk Classifications ⁽¹⁾⁽²⁾												Total		
	1	2	3	4	5	6	7	8	9	10	11	12		TL	FC
Agricultural	-	-	532.671	-	-	3.611.178	3.488.856	504.516	187.169	10.772	-	-	5.840.192	2.494.970	8.335.162
Farming and raising livestock	-	-	532.671	-	-	2.803.361	2.616.915	334.972	151.006	7.626	-	-	4.455.709	1.989.842	6.446.551
Forestry	-	-	-	-	-	726.286	849.112	167.457	35.700	3.028	-	-	1.338.044	443.519	1.781.563
Fishing	-	-	-	-	-	81.551	22.829	2.087	463	118	-	-	45.439	61.609	107.048
Manufacturing	-	30	42	-	-	65.643.434	14.997.206	4.359.316	749.112	59.898	2.492	-	35.153.712	50.656.818	85.810.530
Mining	-	-	-	-	-	2.317.847	400.014	139.488	33.627	1.717	-	-	1.321.016	1.571.691	2.892.707
Production	-	11	23	-	-	35.608.791	14.279.968	4.113.824	675.288	50.558	2.492	-	30.323.272	24.405.283	54.728.555
Electric, gas and water	-	19	5	-	-	27.718.796	317.624	106.004	40.197	6.623	-	-	3.509.424	24.679.844	28.189.268
Construction	-	2	2	-	-	20.246.345	5.767.342	3.221.344	251.130	55.655	-	18.114	13.050.486	16.509.448	29.559.934
Services	61.657.035	75	63	15.356	17.234.092	30.622.046	8.868.764	2.944.099	451.738	31.725	4.302.215	5.256.198	65.080.885	66.302.521	131.383.406
Wholesale and retail trade	-	1	-	-	-	4.522.828	3.846.031	831.443	238.833	17.173	-	-	7.649.034	1.807.275	9.456.309
Hotel, food and beverage services	-	-	-	-	-	5.820.790	957.774	1.223.554	47.762	2.507	-	-	2.143.793	5.908.594	8.052.387
Transportation and telecommunication	-	-	1	-	-	6.846.676	1.647.922	281.743	77.627	5.389	5.000	-	2.964.846	5.899.512	8.894.358
Financial institutions	61.657.035	-	-	15.356	17.234.086	1.427.322	213.766	104.156	21.566	345	3.677.049	5.256.198	44.251.518	45.355.361	89.606.879
Real estate and renting services	-	-	-	-	-	218.311	24.599	5.414	895	44	-	-	126.151	123.112	249.263
Self-employment services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	107.243	110.510	37.476	4.722	227	-	-	230.800	29.378	260.178
Health and social services	-	74	62	-	6	11.678.876	2.068.162	460.313	60.333	6.040	620.168	-	7.714.743	7.179.289	14.894.032
Other	-	60	55	-	454.975	837.099	43.003.568	4.369.390	413.533	49.808	1.439	4.355.013	52.956.013	528.927	53.484.940
Total	61.657.035	167	532.833	15.356	17.689.087	120.960.102	76.125.736	15.398.665	2.052.682	206.858	4.306.146	9.629.325	172.081.288	136.492.684	308.573.972

(1) Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.
(2) Includes credit risk amounts of total exposure before applying credit risk mitigations.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from banks and brokerage houses
- 6-Conditional and unconditional receivables from corporates
- 7-Conditional and unconditional retail receivables
- 8-Conditional and unconditional receivables secured by mortgages
- 9-Past due receivables
- 10-Receivables defined as high risk category by the Regulator
- 11-Investment in equities
- 12-Other receivables

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ğ. Risk profile according to remaining maturities:

Risk classifications ⁽¹⁾	1 month	1-3 month	3-6 month	6-12 month	1 year and over	Total
Conditional and unconditional receivables from central governments or central banks	21.909.117	232.486	7.647	1.450.446	38.040.101	61.639.797
Conditional and unconditional receivables from regional or local governments	-	167	-	-	-	167
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	181	-	-	532.652	532.833
Conditional and unconditional receivables from multilateral development banks	105	7.658	7.361	176	56	15.356
Conditional and unconditional receivables from banks and brokerage houses	1.368.479	2.947.760	1.526.286	1.835.575	8.713.619	16.391.719
Conditional and unconditional receivables from corporates	11.935.862	6.193.494	10.741.457	14.828.516	76.206.118	119.905.447
Conditional and unconditional retail receivables	23.032.451	8.013.716	4.472.081	7.456.537	31.919.985	74.894.770
Conditional and unconditional receivables secured by mortgages	328.846	627.171	909.866	1.475.730	12.057.052	15.398.665
Past due receivables	-	-	-	-	-	-
Receivables defined as high risk category by the Regulator	31.024	77.816	2.730	7.494	87.794	206.858
Investments in equities	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
General Total	58.605.884	18.100.449	17.667.428	27.054.474	167.557.377	288.985.612

(1) Includes credit risk amounts of total exposure before applying credit risk mitigations.

h. Risk balances according to risk weights:

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are presented below:

Risk Weights	0%	20%	35%	50%	75%	100%	150%	Total	Deductions from the shareholders' equity
1 Total exposure before credit risk mitigation	35.396.637	3.937.589	7.200.051	53.301.910	76.125.735	131.780.766	831.284	308.573.972	2.382.436
2 Total exposure after credit risk mitigation	31.493.739	3.307.505	7.200.051	52.760.927	75.916.574	127.523.556	746.646	298.948.998	2.382.436

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i. Information according to sectors and counterparties:

For loans which are classified as impaired loans due to delay of collection of principal or interest by 90 days and above and/or negative risk assessments of creditworthiness of the debtor; "Specific Provision" is set aside in the accompanying financial statements as of 31 December 2016.

For loans which are classified as past due but not impaired loans due to delay of collection of principal or interest up to 90 days; "General Provision" is set aside in the accompanying financial statements as of 31 December 2016.

Sectors / Counterparties	Loans		General Provisions	Specific Provisions
	Impaired Loans	Past due		
Agricultural	119.040	399.825	7.734	68.876
Farming and raising livestock	91.318	377.203	7.308	51.120
Forestry	19.526	14.678	276	12.416
Fishing	8.196	7.944	150	5.340
Manufacturing	2.038.966	1.685.970	29.037	1.312.088
Mining	42.281	181.577	2.854	23.049
Production	1.826.706	1.244.430	21.525	1.139.584
Electric, gas and water	169.979	259.963	4.658	149.455
Construction	983.973	975.726	15.145	548.741
Services	1.235.922	859.766	15.283	774.153
Wholesale and retail trade	887.886	647.047	11.630	512.248
Hotel, food and beverage services	41.171	74.132	1.437	15.411
Transportation and telecommunication	47.706	23.464	394	34.725
Financial institutions	6.386	43.756	675	1.914
Real estate and renting services	199.478	2.339	28	176.065
Self-employment services	-	-	-	-
Education services	15.264	14.753	268	8.314
Health and social services	38.031	54.275	851	25.476
Other	5.203.408	2.830.144	195.904	4.034.842
Total	9.581.309	6.751.431	263.103	6.738.700

i. Information about value adjustments and changes in the loan impairment:

The Bank provides specific provisions for loans which are overdue for 90 days or more by taking into account the collaterals received from customers in accordance with the Provisioning Regulation.

The Bank provides general loan loss provision for loans classified as first and second group loan portfolio. This provision is calculated in accordance with the Provisioning Regulation.

	Provision amounts		Reversal of provisions	Other adjustments ⁽¹⁾	Close out balance
	Opening balance	set aside during the period			
1 Specific provisions	4.626.667	2.093.568	(132.022)	(30)	6.588.183
2 General provisions	2.571.990	483.531	(13.201)	-	3.042.320

(1) The figure represents write-off's and also includes NPL sales amounts.

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Information related to financial position of the Bank (continued)

III. 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 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy ratio by the Bank, tables, which have to be prepared within the scope of Internal Rating-Based (IRB) approach, have not been presented.

1. General Information on Risk Management and Risk Weighted Amount

a. Risk Management Approach of The Bank

Risk management strategy of the Bank ensures using the capital at an optimum level and provide sustainable growth in this framework through measurement of risks in accordance with international standards and local regulations and taking risk-return balance into consideration in the framework of sustainable growth. Risk management approach of the Bank is based on strong risk management techniques of ISEDES (Evaluation Process of Internal Capital Adequacy) and prospective planning and capital evaluation depending upon risk profile.

A prospective capital planning approach is adopted for the Bank to carry out its operations if certain losses are incurred as a result of unexpected events or deteriorations in markets. The best international practices are utilized for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international practices and analyses updated in line with its business evolution. A risk appetite framework integrated to budget process, has been developed in order to carry out related activities at an optimum level while reaching predefined budget target of the Bank and therefore an appropriated risk positions are ensured to be taken.

Risk appetite, as an integral part of the main pillar and a crucial instrument of the Bank Management, is implemented in order to ensure the execution of Bank's activities in an ideal manner through taking appropriate risk positions at an acceptable level of risk. Risk appetite, is integrated to management and budget processes of the Bank with performance indicators which are sensitive to risk.

Risk appetite indicators, targets, limits and critical thresholds are determined by the Executive Committee with the joint recommendation of Financial Planning and Financial Affairs Management and Risk Management. Possible changes which may occur in economic conditions are taken into consideration during the determination of aforementioned limits and thresholds.

Determined risk appetite indicators consists of capital adequacy, risk, financing and liquidity ratios of the Bank and senior management ensures the Bank to carry out its activities in the range of such targets and critical thresholds. Senior management should take emergency precautions if the critical thresholds are exceeded. Monitoring and periodical reporting to senior management is performed by the related units in order to implement risk appetite framework.

The Bank implements internal policies and procedures that are audited and approved at least once a year by the Board of Directors in order to manage market risks arising from on-balance sheet and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

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The Credit Policy Directive, which reflects the general framework of Bank's credit allocation activities, is updated annually and implemented with the approval of the Board of Directors. Credit Policy Directive is based on improving asset quality, supporting effective risk management and compliance with legal practices. In addition, it includes management of all lending activities according to the Bank's common standards, limitations and principles.

The main purpose of the credit risk management is to identify, measure and mitigate credit risk, react in a timely manner and take necessary actions with the help of efficient and well-functioning rating/scoring models, strategies and processes. The main strategies include topics like effective implementation of the Credit Policy Directive to reinforce the sustainability of common risk management approach, steering of the loan portfolio toward less risky sectors, avoidance of excessive concentration in Group exposures while strictly obeying statutory limits, focus on customers with better credit ratings, avoidance of transactions bearing high credit and reputational risk, managing country risk in line with established strategy, policy and rules, timely updates to senior management about all developments in credit risk area to ensure effective credit risk management, performing credit stress tests and participating in credit risk regulatory processes.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of Board of Directors. The report mainly includes Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

Risk Management reports to Board of Directors in organisation structure via Audit Committee. Risk Management organisation is divided into "Market Risk Management", "Credit Risk Management" and "Credit Risk Control and Operational Risk Management" units.

In the process of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policy.

Value at Risk, Basis Point Value (interest rate sensitivity), and Credit Basis Point Value (credit spread sensitivity) are risk metrics calculated via internal models and used in measurement of market risks. Risk measures are monitored at product, portfolio and account (banking / trade) basis. Performance of internal models is measured by backtesting of the model's outputs.

With the liquidity coverage ratio introduced by Basel III, short term liquidity and structured liquidity methods, which are internally monitored in the Bank, are utilized in liquidity risk management.

Measurements performed via internal models in the context of market risk management are reported to the Bank's Top Management, Treasury, Financial Reporting and Credit Monitoring Units (for the Counterparty Credit Risk process) on a daily basis and to the Board of Directors and Executive Committee on a monthly basis.

Stress tests, provide a prospective point of view during risk management , budget and capital planning processes through reviewing the impact of events or changes in markets, which have a low possibility to occur under normal conditions but may result in losses to Bank in case they occur. The Bank performs stress tests to measure impacts of temporary or continuous deteriorations in market risk factors on income statement and to make capital plans. Scenarios, having basis, medium and high stress levels, aim to measure impacts of adverse conditions across the country on the economic value of the Bank through risk factors. Other important risk elements such as Fixed Assets held by the Bank and financial investment risks faced through its subsidiaries, as well as price movements, are reviewed during stress test processes as well.

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Stress test studies are made with the active participation of senior management and impact of the stress test to the general risk profile of the Bank is reported. Senior management participates in establishing of stress test's scenario, analyzing of its results, through determination of the scope and approach of the scenario, guidance of required directions and review of results and recommendation of action plans. Stress scenarios, up-to-date estimations and crisis scenarios are prepared by Analytical Modelling and Macroeconomic Research Department under the supervision of Chief Economist.

The Bank reduces market risk exposure within scope of its commercial activities through derivative instruments and makes an effort to control impacts of the risks on capital through hedge accounting implementation. It holds foreign exchange positions to manage residual positions as a result of banking activities through performing a conservative approach to exchange risk and manages its end of day positions at a minimum level..

For the mitigation of risks, Operational risk management carries out the activities of restructuring of processes, pre-assessments and controls of products, use of external sources and management of insurance activities for determination of appropriate exemptions and limitations. It performs studies throughout the Bank in order to analyze related losses and processes to determine risk mitigating actions and decrease future operational risks. Precautions are determined and applied with respect to loss incidents, key operational risk indicators, scenarios, projects and new product analysis.

Business continuity management policy aims at reducing the risks to a minimum level and ensuring the continuity of critical product and services in an acceptable period. The policy is regularly updated and approved by the Board of Directors.

b. 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)	211.778.102	187.594.498	16.942.248
2 Of which standardised approach (SA)	211.778.102	187.594.498	16.942.248
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	3.364.835	2.475.585	269.187
5 Of which standardised approach for counterparty credit risk (SA-CCR)	3.364.835	2.475.585	269.187
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	960.279	998.270	76.822
17 Of which standardised approach (SA)	960.279	998.270	76.822
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)	229.213.155	202.743.728	18.337.052

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

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2. Linkages between financial statements and risk amounts

a. Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS			
		Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitisation framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances with the Central Bank	32.380.566	-	-	-	-
Trading Financial Assets	3.018.283	-	2.981.570	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	1.448.692	-	-	-	-
Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale (net)	18.280.206	-	-	-	-
Loans and Receivables	172.624.217	-	3.651.723	-	109.452
Factoring Receivables	-	-	-	-	207.281
Held-to-maturity investments (net)	10.664.551	-	-	-	-
Investment in Associates (net)	441.846	-	2.471.316	-	-
Investment in Subsidiaries (net)	4.233.024	-	-	-	437.143
Investment in Joint ventures (net)	18.114	-	-	-	-
Lease Receivables	-	-	-	-	18.114
Derivative Financial Assets Held For Hedging	1.168.936	-	-	-	-
Property And Equipment (Net)	2.544.775	-	1.168.936	-	-
Intangible Assets (Net)	1.523.961	-	-	-	109.050
Investment Property (Net)	-	-	-	-	1.489.528
Tax Asset	97.812	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	159.974	-	-	-	-
Other Assets	4.105.731	-	-	-	11.868
TOTAL ASSETS	252.819.538	246.207.595	10.273.545	2.084.281	2.382.436
Liabilities					
Deposits	154.274.856	-	-	-	154.274.856
Derivative Financial Liabilities Held for Trading	2.525.526	-	2.525.526	-	-
Funds Borrowed	27.994.862	-	-	-	27.994.862
Money Markets	5.857.788	-	5.857.788	-	-
Marketable Securities Issued	9.244.718	-	-	-	9.244.718
Funds	-	-	-	-	-
Miscellaneous Payables	10.637.009	-	-	-	10.637.009
Other Liabilities	1.890.502	-	-	-	1.890.502
Factoring Payables	-	-	-	-	-
Lease Payables	1.112	-	-	-	1.112
Derivative Financial Liabilities Held For Hedging	88.788	-	88.788	-	-
Provisions	4.563.575	-	-	-	4.563.575
Tax Liability	554.362	-	-	-	554.362
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-
Subordinated Loans	9.087.893	-	-	-	9.087.893
Shareholder's Equity	26.118.547	-	-	-	26.118.547
TOTAL LIABILITIES	252.819.538	8.472.102	8.472.102	1.989.436	244.347.436

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b. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Current Period	Total	Subject To Credit Risk	Subject to the Securitisation	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	258.565.411	246.207.585	-	10.273.545	2.084.281
2	Liabilities carrying value amount under regulatory scope of consolidation	6.482.666	-	-	8.472.102	(1.989.436)
3	Total net amount under regulatory scope of consolidation	265.048.077	246.207.585	-	18.745.647	94.845
4	Off-Balance Sheet Amounts	130.181.718	47.065.736	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences Resulted from the BRSA's Applications	-	-	-	-	865.434
9	Differences due to risk reduction	-	(858.684)	-	(12.211.286)	-
	Risk Amounts		292.414.637	-	6.534.361	960.279

c. Explanations of differences between accounting and regulatory exposure amounts

There is no difference between amounts reported in the financial statements and valued in accordance with TAS and amounts valued in accordance with TAS in scope of legal consolidation.

Bank's financial instruments subject to fair value measurement are valued using Mark-to-Market or Mark-to-Model approach based on their product types. Implementation of valuation methodologies is carried out in accordance with the "Fair Value Measurement" policies in line with the prudent valuation principles set out in the annex of the Directive on Measurement and Assessment of Banks' Capital Adequacy. The Bank uses market prices for bonds and futures contracts traded in organized markets, while it often uses platforms generating Mark-to-Model value for derivative transactions traded in OTC markets. Mark-to-Market or Mark-to-Model valuations are made on a daily basis so that changes in the market can be reflected in the Bank's financials with the same frequency.

The Independent Price Control process (IPV) is designed to draw the errors or deviations that may occur in the valuations to the minimum level, to calculate the correct profit / loss and risk, through verification, comparison and approval of market prices and model inputs regularly with independent and different sources. The purpose of the IPV is to ensure that the data used for bank valuations are generated on a daily basis from a highly representative, adequately liquid and accurate instruments. All these processes have a clear, integrated and complementary approach that is in line with the objectives of the Bank.

Prices quoted in active markets for securities and derivative transactions are used to record the fair value of an instrument, but quoted prices are generally not available in active markets. Appropriate valuation techniques are used for financial instruments that are not traded in the market but the estimated fair value is adjusted through valuation techniques of the market participant's estimation of similar asset or liability price. Such adjustments are categorized close out cost, market liquidity, model risk and credit valuation adjustments.

Close out Cost adjustment reflects the amount which would be incurred to arrive at an appropriate ask/liquidation price (financial instruments which are assets at valuation date) or bid/unwind price (financial instruments which are liabilities at valuation date) for financial instruments valued at mid-market prices

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Market liquidity adjustment is calculated to reflect the amount which would be incurred to close out the position when liquidity is not sufficient. When there is not any tradeable price on liquid two way market, a liquidity discount is applied for pricing.

Model risk; reflects the risk stemming from deficiencies in model. Complexity of the model, being market standard and capability to incorporate all known risk factors determine the necessity/applicability of model risk adjustments.

Credit Value Adjustment (CVA), is defined as market value of counterparty credit risk (CCR), which arises from the possibility of a counterparty's default and considered in regulatory capital adequacy calculations for all CCR exposures.

3. Explanations on Credit Risk

a. General information on credit risk

i. General qualitative information on credit risk

Credit risk is the loss or the risk of the Bank in case counterparty cannot fulfill its obligations stated in agreements where the Bank is at a side. The Bank identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Bank's Board of Directors for each correspondent bank are followed-up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each dealer at Treasury department who is authorized for transactions in the market are performed by the system. During the loan granting process, liquid collaterals are preferred to the greatest extent possible. While granting of long term project finance loans, long term projections of the companies are analyzed both by financial analysis specialists and head office. Also the pricing of these commitments are decided by coordination with Treasury Management.

The Bank also monitors limitations on single borrower and group of borrowers in accordance with the regulations. Loans and other receivables are monitored in terms of the credit worthiness of borrowers in accordance with the relevant legislation. In addition, the account status documents for new loans is controlled, and updated where if necessary.

Different rating systems are used for SME, Corporate and Commercial customers during the underwriting process of the Bank. A separate rating model is used for the customers which operate in construction industry.

The Bank uses scorecard system for its retail and credit card customers for the underwriting and limit management processes. The scorecard system was internally developed, and being updated and approved regularly.

Credit granting authorization levels are also determined in accordance with the rating of the customer in SME segment. By using this methodology; it is aimed to establish risk based optimization of credit processes through assigning the lower rated customer to higher authority levels whereas assigning higher rated customer to lower authority levels.

Credit Policy is prepared to be well-structured in line with the BRSA loan management guidebook and aligned with the UniCredit Group rules to the maximum possible extent.

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Credit policy is revised at least once a year, approved by Board of Directors, announced within the bank and implemented in accordance with the appropriate procedures in banks. During the review of credit policies, economic conjuncture, the bank's capital adequacy ratio and amendments in related regulation are taken into consideration. Key elements such as target markets, portfolio structure and concentration, large exposures, credit limit applications, approval authorities are determined in the credit policies. In the policies, key messages are provided based on principles of prudence, continuity about the customer's credit worthiness, specific sectors, segments and products for growth in accordance with the defined credit strategies.

Credit Risk Management Section is established to manage the credit risk of the Bank by determining, measuring, monitoring, evaluating and reporting the risks. In order to improve the asset quality of the Bank, the main roles and responsibilities of the section are composed of performing periodical analyses on credit portfolio trend, calculating credit risk cost based on segments and executing compliance activities between risk management practices with Basel II requirements.

Credit Risk Management is consisting 4 sub units.

Commercial Credit Risk Management is responsible for monitoring the design, development and implementation of probability of default (PD), exposure at default (EAD), loss given default (LGD) models which are in the scope of IRB communiqué (issued by BRSA – using internal rating based approach for credit risk calculations) and providing the design, development and implementation of all models to be developed under the scope of standards that have been specified for corporate customer segments.

Retail Credit Risk Management is responsible for the development of the models and strategies that ensures efficient management of the credits for Banks growth targets and implementation of such strategies and models in rating and decision support systems.

Risk Validation Department, performs the risk validation taking into consideration the statistical tests, Bank's internal procedures and competition analyses in the market. Validation processes consist of 3 main steps; data validation, model validation, strategy and process validation.

Basel II Program Management and Credit Risk Control Unit Section is responsible for active participation to the model development process and providing opinion as the last authority monitoring the performance of the rating systems and preparation of regular analysis based on the results, maintenance of proper running of the rating systems, leadership of the activities performed to close the gaps, information to BRSA and related parties in the Bank about the changes on the rating systems, maintenance of the implementation of the models in the Bank's processes in line with BRSA requirements, management of the IRB transition period and submission of necessary documents and monitoring the related projects.

Risk Reporting Control and Operational Risk Management is responsible for preparation of credit risk budgeting and credit risk reporting activities of the Bank, calculation of loan loss provisions on SBU basis; identification of the Credit Policy according to risk appetite of the Bank, implementation of the policy throughout the Banks and its subsidiaries, support to all units in the Bank for the related topics. The units establishes a common risk culture on group basis and performs process analyses of credit and risk management functions in subsidiaries to ensure standard risk management practices and establishes action plans for the standardization of all gaps within the group. It ensures taking action for the correction and improvement data quality through performing tests related to credit and collaterals. The unit prepares reports for assessment of credit risk and for the preparation of various and comprehensive concentrations and forecasts on asset quality trends for the Bank, performs necessary calculations to measure the risk profile of the bank and ensures that the country risk is identified. Prepare comprehensive concentration reports for the assessment of Top Management.

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The unit is also responsible for definition of the Operational/IT/Reputational risk policies, for the purpose of measurement, evaluation and management of the operational risk/ IT and reputational risks, implementation of monitoring and measurement systems, identification, reporting and monitoring the key risk indicators, and performance of scenario analyses. The unit also carries out the activities regarding Basel II compliance, operational risk weighted assets (RWA); and risk based insurance activities, implementation and monitoring IT Risk Map and Action Plans, coordination of risk management program for the risk evaluation of the support services.

Regular supervision and controls are performed to ensure that credit process is carried out in compliance with bank credit policies and procedures, loans are extended in accordance with principles and procedures determined by the Board of Directors and loans are reported properly with the information of maturity, quantity and qualification to top management.

Activities carried out by units within scope of internal systems are employed as a tool to define weak points regarding the credit risk management process, policy and procedures and to determine the transactions that are not compliant with limits, policy and procedures.

Issues that are observed during the examinations is being regularly reported to top management and Audit Committee considering importance level.

Summary of the activities of units within the scope of internal systems are effectively utilized by the management and actions are taken in order to prevent repetition of weaknesses and conflicts regarding credit management.

ISEDES report is prepared by Credit Risk Management in accordance with the related guide of BRSA and submitted to the approval of the Board of Directors. The report mainly includes the Bank's approach for the review of risks and capital in order to preserve capital adequacy of the Bank with respect to its current and future activities and information on management structure and applied approaches.

ii. Credit quality of assets

	Gross carrying values of as per TAS		Allowances/ impairments	Net values
	Current Period	Defaulted exposures	Non-defaulted exposures	
1 Loans		8.706.143	170.506.257	9.429.844
2 Debt Securities		-	28.912.852	-
3 Off-balance sheet		875.166	133.400.779	351.176
4 Total		9.581.309	332.819.888	9.781.020

iii. Changes in stock of defaulted loans and debt securities

	Current Period
1 Defaulted loans and debt securities at the end of the previous reporting period	6.729.217
2 Loans and debt securities that have defaulted since the last reporting period	3.898.547
3 Returned to non-defaulted status	(70.073)
4 Amounts written off	(30)
5 Other changes	(976.352)
6 Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	9.581.309

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iv. Additional disclosure related to the credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- i. for which recovery of principal and interest or both delays for more than ninety days from their terms or due dates provided that this is no more than one hundred eighty days or;
- ii. which have limited means for total recovery because debtors' equity or guarantees 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 have suffered deterioration in their creditworthiness and credits have suffered weakness consequently 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,

Loans and receivables are identified as "non-performing loans" and classified under default accounts. Specific provisions are calculated for these loans by coverage ratios which aside by policy after collateral deduction. There is no difference between "impaired loans" and "loans subject to provisioning" in the Bank. All loans with 90 days overdue are subject to specific provisioning.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by bank.

Exposures provisioned against by major regions⁽¹⁾ :

Current Period	Total
Domestic	231.572.560
USA,Canada	2.106.698
European Union (EU) Countries	3.835.388
OECD Countries	1.388.092
Off-Shore Banking Regions	2.330
Other Countries	1.587.689
Total	240.492.757

(1) Breakdown of cash, non-cash and non-performing loans with respect to geographical regions are provided.

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Exposures provisioned against by major sectors ⁽¹⁾:

	Current Period
Agricultural	2.804.189
Farming and raising livestock	2.454.923
Forestry	221.146
Fishing	128.120
Manufacturing	93.484.708
Mining and Quarrying	2.486.524
Production	62.072.071
Electricity, Gas, Water	28.926.113
Construction	34.411.523
Services	48.176.743
Wholesale and retail trade	14.527.267
Hotel, food and beverage services	7.654.878
Transportation and telecommunication	8.793.827
Financial institutions	8.042.272
Real estate and leasing services	1.901.985
Self-employment services	-
Education services	279.790
Health and social services	6.976.724
Other	61.615.594
Total	240.492.757

(1) Breakdown of cash loans, non-cash loans and non-performing loans by sectors.

Receivables according to remaining maturities:

Receivables according to remaining maturities are explained Note VII of Section 4.

Exposures provisioned against by major sectors:

Information on the amount of receivables and provisions provided for on the sector basis are disclosed in Note II of Section 4.

Exposures provisioned against by major regions:

The distribution of the specific provisions is predominantly domestic and a provision amounting to TL 6.545.731 has been set aside for the risk at an amount of TL 8.630.634.

Aging analysis for overdue receivables ⁽¹⁾:

	Current Period
31-60 day overdue	4.601.305
61-90 day overdue	1.283.000
Total	5.884.305

(1) Overdue receivables represent overdue of cash loans.

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Breakdown of restructured receivables based on whether or not provisions are allocated:

General provision is allocated for the loans restructured from standard loans and loans under Follow-up and other receivables, specific provision is allocated for the loans restructured from non-performing loans.

	Current Period
Loans restructured from Standard Loans and Other Receivables	3.318.056
Loans restructured from Loans and other receivables under close monitoring	2.355.527
Loans restructured from Loans under legal follow-up	391.266
Total	6.064.849

b. Credit risk mitigation

i. Qualitative disclosure on credit risk mitigation techniques

The Bank employs on-balance sheet netting and/or general netting agreements for specific capital market transactions for credit risk mitigation, with the condition of meeting the requirements of having implemented corresponding system supported methods and processes and clear documentation of the required documents.

Yapı Kredi Bank may use assets (e.g. loans) and liabilities (e.g. deposits) as an on balance sheet netting instrument considering them as cash collateral.

The capital requirements may be determined on the base of net exposure of assets and liabilities, if the following conditions are met:

- The agreement should provide the Bank the authorization to monitor the receivable of the payee over a single value after netting all payables and receivables even though there is no such indicator for the counterparty showing bankruptcy or financial difficulty in accordance with the regulations of governments.
- The Bank is provided the authority of netting and monitoring the risk over a single value even the counterparty is not in bankruptcy case of a bankruptcy of one counterparty, the other counterparty should have the authority to terminate all contracts under the agreement
- The agreement should provide the facility to monitor the receivable of the payee over a single value after netting all payables and receivables in case of the termination of all contracts

For calculation of the fully-adjusted amount in determining the capital requirements , the supervisory volatility adjustments approach or own estimates volatility adjustments approach or internal models approach may be used.

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In the policies and procedures regarding the assessment and management of the collaterals as part of collateralized lending, Credit risk mitigation techniques aims at:

- Determination of general and specific requirements for the improvement and optimization of collateral systems, processes, strategies and procedures;
- Valuation of collateral taking into consideration the local regulations and procedures;
- Provision of the soundness, legal enforceability and maintainence of ratable collateral based on a legal framework;
- Determination of the level of the collateral haircut taking the local conditions and the process of risk management into consideration;
- Regular monitoring of the collateral value;
- Differentiation between counterparty (economic) and country (political) risk aspects,
- Mitigation of concentration risks, correlation risks and residual risks through recognition of collateral;
- Improvement in the quality of strategic business and overall Bank management
- Clear definition of Roles and Responsibilities

Determination of acceptable collaterals and collateral related conditions (list of collateral) / (non-parametric condition list)

The credit policies establish an operational connection between Bank's activities and its risk capacity and covers the main business areas in accordance with target portfolio structure, risk targets regarding expected and unexpected loss in line with risk capacity and limits relating to risk concentration. Limits are ensured to be compliant with restrictions determined by related regulation and regulatory authorities. Bank uses an integrated approach in concentration risk management, in which all risk concentrations are identified, monitored and evaluated. Therefore, besides the loans to individuals and companies, also the concentrations of market, sector, country and segment are being taken into consideration. Bank pays utmost attention to any concentration of the credit and market risks on a specific counterparty or risk classification in accordance with policies and internal procedures.

ii. Credit risk mitigation techniques – overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Current Period							
Loans	142.354.683	27.427.873	17.403.119	3.056.693	1.877.921	-	-
Debt securities	28.912.852	-	-	-	-	-	-
TOTAL	171.267.535	27.427.873	17.403.119	3.056.693	1.877.921	-	-
Of which defaulted	1.495.778	622.182	91.397	855	288	-	-

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c. Credit risk under standardised approach

i. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The international risk ratings are used for the exposures to central governments/central banks and for asset classes for which the counterparty resides in foreign countries.

Exposures to central governments and central banks which are not rated by Fitch Ratings are included in the calculation of capital adequacy as unrated. Receivables from residents in Turkey are classified as unrated. Risk weights of accounts which are not included in the trading accounts are classified by issuer's credit rating.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings	Claims on sovereigns and Central Banks	Claims on administrative bodies and other non-commercial undertakings	Claims on banks and intermediary institutions		Claims on corporates
				Remaining maturity of claims under 3 months	Remaining maturity of claims over 3 months	
1	AAA AA+ AA AA-	0%	20%	20%	20%	20%
2	A+ A A-	20%	50%	20%	50%	50%
3	BBB+ BBB BBB-	50%	100%	20%	50%	100%
4	BB+ BB BB-	100%	100%	50%	100%	100%
5	B+ B B-	100%	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%	150%

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

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
1 Exposures to central governments or central banks	57.910.970	1.209.711	59.616.684	179.162	15.558.631	26,02%
2 Exposures to regional governments or local authorities	-	835	-	167	84	50,30%
3 Exposures to public sector entities	12	843	12	169	37	20,40%
4 Exposures to multilateral development banks	6.956	9.699	6.956	8.399	-	-
5 Exposures to institutions	9.167.236	4.732.298	9.331.575	2.399.715	5.878.024	50,11%
6 Exposures to corporates	85.512.056	76.314.185	82.892.059	32.631.086	115.523.146	100,00%
7 Retail exposures	64.941.592	46.293.829	64.834.492	11.060.630	56.921.341	75,00%
8 Exposures secured by residential property	7.006.484	394.981	7.006.484	193.567	2.520.018	35,00%
9 Exposures secured by commercial real estate	7.743.934	719.839	7.743.934	454.681	4.099.307	50,00%
10 Past-due loans	2.052.681	-	2.051.044	-	2.035.955	99,26%
11 Higher-risk categories by the Agency Board	65.299	505.498	65.296	138.160	232.557	114,30%
12 Investments in equities	4.306.146	-	4.306.146	-	4.306.146	100,00%
13 Other receivables	7.494.219	-	7.494.219	-	4.702.856	62,75%
TOTAL⁽¹⁾	246.207.585	130.181.718	245.348.901	47.065.736	211.778.162	72,42%

(1) Counterparty credit risk is not included in the table.

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

Current Period		0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight													
1	Exposures to central governments or central banks	28.678.582	-	-	-	31.117.264	-	-	-	-	-	-	59.795.846
2	Exposures to regional governments or local authorities	-	-	-	-	167	-	-	-	-	-	-	167
3	Exposures to public sector entities	-	-	181	-	-	-	-	-	-	-	-	181
4	Exposures to multilateral development banks	15.355	-	-	-	-	-	-	-	-	-	-	15.355
5	Exposures to institutions	-	-	1.518.248	-	9.277.337	-	935.705	-	-	-	-	11.731.290
6	Exposures to corporates	-	-	-	-	-	-	115.523.145	-	-	-	-	115.523.145
7	Retail exposures	-	-	-	-	-	75.895.122	-	-	-	-	-	75.895.122
8	Exposures secured by residential property	-	-	-	7.200.051	-	-	-	-	-	-	-	7.200.051
9	Exposures secured by commercial real estate	-	-	-	-	8.198.615	-	-	-	-	-	-	8.198.615
10	Past-due loans	-	-	-	-	670.664	-	739.895	640.485	-	-	-	2.051.944
11	Higher-risk categories by the Agency Board	-	-	-	-	47.958	-	49.338	106.160	-	-	-	203.456
12	Investments in equities	-	-	-	-	-	-	4.306.146	-	-	-	-	4.306.146
13	Other receivables	2.706.402	-	106.201	-	-	-	4.681.616	-	-	-	-	7.494.219
TOTAL		31.400.339	-	1.624.630	7.200.051	49.312.005	75.895.122	126.235.845	746.645	-	-	-	292.414.637

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Information related to financial position of the Bank (continued)

4. Explanation on Counterparty credit risk

a. Qualitative evaluation for Counterparty Credit Risk

Counterparty Credit Risk (CCR) is organized under Market Risk Management and is functioning within the scope of "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks". These functions include counterparty credit risk calculations within general risk appetite and control process of risk management policies for CCR.

Credit limits under CCR are defined within the scope of internal model method, specified in "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks. -Appendix 2", considering various stress scenarios.

General policies for collaterals and provisions under credit risk management are also valid for CCR. Exposure and collateral values are calculated on a daily basis. According to CCR Policies, Bank does not carry wrong way risk.

In case of a downgrade in credit note, the amount of additional collateral the Bank has to provide is calculated periodically under several stress scenarios.

b. Assessment of Counterparty Credit Risk according to the models of measurement

	Revaluation Cost	Potential credit risk exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
Current Period						
1 Standart Approach-CCR	3.960.759	2.025.678		1,40	6.143.660	2.997.826
2 Internal Model Approach			-	-	-	-
3 Simplified Standardised Approach for Credit Risk Mitigation				-	-	-
4 Comprehensive Method for Credit Risk Mitigation					390.701	112.613
5 Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions				-	-	-
6 Total						3.110.439

(1) Effective expected positive exposure

c. Credit valuation adjustment (CVA) capital charge

Current Period	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1 (i) Value at risk component (including 3*multiplier)	-	-
2 (ii) Stressed Value at Risk (including 3*multiplier)	-	-
3 All portfolios subject to Standardised CVA capital obligation	6.143.660	254.396
4 Total amount of CVA capital adequacy	6.143.660	254.396

(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)

ç) Standardised approach – CCR exposures by regulatory portfolio and risk weights

Current Period		0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk ⁽¹⁾
Risk Weights/Risk Classes										
1	Central governments and central banks receivables	93.402	-	-	-	-	-	-	-	93.402
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	-	-	66.057	-	-	-	-	-	66.057
4	Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
5	Banks and Intermediary Institutions receivables	-	-	1.616.818	3.448.921	-	175.960	-	-	5.241.699
6	Corporate receivables	-	-	-	-	-	1.111.751	-	-	1.111.751
7	Retail receivables	-	-	-	-	21.452	-	-	-	21.452
8	Mortgage receivables	-	-	-	-	-	-	-	-	-
9	Past-due loans	-	-	-	-	-	-	-	-	-
10	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
11	Investments in equities	-	-	-	-	-	-	-	-	-
12	Other receivables	-	-	-	-	-	-	-	-	-
Total		93.402	-	1.682.875	3.448.921	21.452	1.287.711	-	-	6.534.361

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

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BAĞIMSIZ DENETİM ve
PREST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.
 Maslak Mah. Etiler 3. Cad. No:27
 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)

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Information related to financial position of the Bank (continued)

d. Composition of collateral for CCR exposure

		Collaterals for Derivatives Transactions				Collaterals or Other Transactions	
Current Period		Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash - Local Currency	-	-	-	-	4.275.290	-
2	Cash - Foreign Currency	-	-	-	-	1.028.667	-
3	Total	-	-	-	-	5.303.957	-

e. Credit derivatives exposures

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

f. Exposures to central counterparties

None.

5. Securitisations

None.

6. Explanations on Market Risk

a. Qualitative disclosure on market risk

Market Risk Management department monitors the interest rate, exchange rate, stock, commodity and credit spread risks arising from the main financial activities of the Bank on a daily basis and measures the probability of loss that may arise from the related risks by using internal model. Risks measured are regularly reported to the business units, their compliance with the Bank's risk appetite is monitored and impacts on capital requirement are analyzed. By taking into account the distinction between banking and trading portfolios, analyses and measurements enable Market Risk Management to determine specific limits on sub-portfolio / product levels.

Market risks that the Bank is exposed to are assessed and managed by a triple structure consisting of Treasury, Financial Planning and Market Risk Management Units. The Board of Directors, the Executive Committee and the Audit Committee have primary responsibility for management of such risks. Both Top management and the sub-units are responsible for managing the risks taking into account constraints and targets such as Bank's interest rate sensitivity, liquidity constraints, funding sources, budget targets, medium and long-term capital planning and profitability of the products in operation.

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Information related to financial position of the Bank (continued)

Models, strategies and processes that are accurate and integrated in accordance with risks the Bank is or may be exposed to have been established. Automated reporting and validation activities are carried out for effective analysis, monitoring and control mechanisms. Risk management infrastructure integrated with day-to-day activities enabling monitor and measurement independently from executive activities; and supports business and decision-making processes has been established. Policies, processes, targets, roles / responsibilities, and regular trainings are the main elements of the Bank's dissemination of risk culture and awareness. Systems and structures compatible with international best practices and in line with the risk appetite are available for risk management.

The Bank implements internal policies and procedures that are reviewed and approved at least once a year by the Board of Directors in order to manage market risks arising from on and off-balance sheet liabilities. Based on the principles mentioned in Regulatory Authority's directives and best practice guidelines, internal policies determine responsibilities and practitioners for identification, measurement, monitoring and reporting of the risks in line with the risk appetite and needs of the Bank; lay the groundwork for granting limits in the Bank; and guide the actions to be taken in case of risk appetite is exceeded.

Market Risk Management organization consists of 4 sub-units; Market Risk Analysis, Asset-Liability Management and Affiliates Coordination, Counterparty Credit Risk and Risk Methodologies and Market Data Analysis units.

Market Risk Analysis unit; carry out the activities such as measuring and setting limits for risks arising from banking and trading books using advanced internal methods (Value at Risk, Base Point Value Sensitivity etc.), complying policies and procedures with new regulations and best practices, product-based risk / return analysis, developing risk measurement and valuation techniques and applying stress tests.

Asset Liability Management and Subsidiaries Coordination unit; enables the Bank to measure the liquidity risk, manage the structural interest rate exposure, manage the protection procedures and the protection accounting processes used to reduce the risk of re-pricing. Follows the concentration of the Bank's funding side. Also paves the way for implementation of Bank-side risk applications and risk culture in the Bank's subsidiaries, plays an active role in risk appetite determination and coordination processes.

Counterparty Credit Risk Management Unit calculates the exposures of over the counter (OTC) derivative transactions via internal model method and manages the inclusion of these exposures into the monitoring and the credit underwriting processes.

The Risk Methodologies and Market Data Analysis unit provides unbiased management of all market data related to treasury products under the risk management framework. The unit is responsible for the verification of fair values, and transfer of related data sources to the banking system.

In the course of market risk management, related business and risk units perform their activities within the scope of the principles determined by internal policies such as the Financial Markets Rulebook, Liquidity Policy, Derivatives Policy, Treasury Credit Line Policy and Fair Value Control Policies.

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Information related to financial position of the Bank (continued)

b. Market risk under standardised approach

Current Period	Risk Weighted Asset
Outright products	
Interest rate risk (general and specific)	823.338
Equity risk (general and specific)	-
Foreign exchange risk	124.488
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	12.453
Scenario approach	-
Securitisation	-
Total	960.279

7. Explanations on Operational Risk:

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2015, 2014 and 2013 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk". As of December 31, 2016, the total amount subject to operational risk is TL 13.109.939 (December 31, 2015 - TL 11.675.376) and the amount of the related capital requirement is TL 1.048.795 (December 31, 2015 - TL 934.030).

	2 Prior Period Value	1 Prior Period	Current Period	Total / Total number of years for which gross	Rate (%)	Total
Gross Income	5.050.255	7.298.425	8.627.222	6.991.967	%15,00	1.048.795
Amount subject to operational risk (Total*12,5)						13.109.939

8. Banking book interest rate risk

Interest rate risk means that the financial structure of the Bank is adversely affected by negative movements in interest rates. Changes in interest rates affect the Bank's earnings by changing the level of net interest incomes, other interest sensitive incomes and operating expenses. The change in interest rates also affects the underlying values of the Bank's assets for active, passive and off-balance sheet items by changing the economic values of future cash flows (and in some cases, the cash flows themselves).

Interest rate risk has three main reasons:

- **Revaluation Risk:** It is caused by the inconsistency in revaluation of active and passive items.
- **Yield Curve Risk:** It results from the variation of the curve and shape of the yield curve.
- **Basis Risk:** It's due to the low correlation of the earned and paid interest yields of different financial instruments with peer revaluation structure.

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Information related to financial position of the Bank (continued)

The customer's prepayment risk (option risk) is indirectly taken into account in managing and following the interest rate risk by following a specific risk protection rate.

Within the scope of the interest rate risk arising from banking accounts, the core deposit analysis for demand deposits is carried out according to the maximum maturity structure of the same regulation. In core deposit analysis, it is possible to distribute demand deposits up to 3 times using behavioral models updated once a year.

Interest rate risk is monitored daily through internal reports and reports made to the Executive Board on a monthly basis.

In accordance with the "Regulation on Measurement and Evaluation of the Interest Rate on Banking Accounts by Standard Shock Method", the economic value differences arising from fluctuations in interest rates are stated in the table below as of December 31, 2016, based on the significant currencies of the Bank.

Currency	Applied shock (+/- x basis points)	Gains/Losses	Gains/SE- Losses/SE
TRY	(+)500 bps	(2.513.657)	%(7,72)
TRY	(-)400 bps	2.503.767	%7,69
EUR	(+)200 bps	(232.786)	%(0,71)
EUR	(-)200 bps	232.057	%0,71
USD	(+)200 bps	(134.829)	%(0,41)
USD	(-)200 bps	286.728	%0,88
Total (For negative shocks)		3.022.552	%9,28
Total (For positive shocks)		(2.881.272)	%(8,85)

(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)

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 XIV.

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	3,51920	3,70990
First day current bid rate	3,53180	3,69390
Second day current bid rate	3,53290	3,69010
Third day current bid rate	3,51350	3,67110
Fourth day current bid rate	3,50410	3,66390
Fifth day current bid rate	3,50770	3,66470
Arithmetic average of the last 31 days:	3,49023	3,67756
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)

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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	6.483.178	11.951.014	4.894.943	23.329.135
Banks	776.690	553.699	84.972	1.415.361
Financial assets at fair value through profit or loss	109.024	256.288	68	365.380
Money market placements	-	-	-	-
Available-for-sale financial assets	690.364	2.419.740	2	3.110.106
Loans ⁽¹⁾	29.682.965	41.167.866	898.921	71.749.752
Investments in associates, subsidiaries and joint ventures	1.426.667	329.775	437.143	2.193.585
Held-to-maturity investments	190.933	5.668.648	2	5.859.583
Hedging derivative financial assets	24.511	88.593	-	113.104
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets ⁽²⁾	1.272.978	1.024.464	203.016	2.500.458
Total assets	40.657.310	63.460.087	6.519.067	110.636.464
Liabilities				
Bank deposits	346.716	955.404	72.079	1.374.199
Foreign currency deposits	24.413.724	41.686.892	2.151.536	68.252.152
Funds from money market	-	1.563.675	-	1.563.675
Funds borrowed from other financial institutions	13.285.556	13.994.583	171.479	27.451.618
Marketable securities issued	85.601	7.135.166	304.310	7.525.077
Miscellaneous payables	1.410.708	338.015	9.990	1.758.713
Hedging derivative financial liabilities	18.832	3.692	1	22.525
Other liabilities ⁽³⁾	157.861	9.685.335	6.181	9.849.377
Total liabilities	39.718.998	75.362.762	2.715.576	117.797.336
Net on-balance sheet position	938.312	(11.902.675)	3.803.491	(7.160.872)
Net off-balance sheet position⁽⁵⁾	(832.134)	12.068.488	(3.518.499)	7.717.855
Financial derivative assets	13.395.951	37.803.271	1.745.288	52.944.510
Financial derivative liabilities	14.228.085	25.734.783	5.263.787	45.226.655
Net Position	106.178	165.813	284.992	556.983
Non-cash loans	18.440.614	24.361.198	3.452.146	46.253.958
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 5.733.763 (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 118.870 (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 includes also gold balance.
- (5) Forward transactions classified as commitments are also included.

Currency risk sensitivity analysis:

The table below represents the sensitivity of the Bank to 15% change of currency exchange rates (USD and EUR).

15% change is the assumption of parity change that may be faced according to the Bank's stress test scenarios.

Change in currency exchange rates	Current Period Profit/loss effect ⁽¹⁾	Prior Period Profit/loss effect ⁽¹⁾
(+) 15%	(55.076)	(58.451)
(-) 15%	55.076	58.451

- (1) Excluding tax effect.

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

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

The Bank utilizes TL/foreign currency and TL/TL interest rate swap transactions in order to limit the interest and foreign currency risk arising from short-term deposit and long-term consumer loans within the TL balance sheet. Furthermore, in order to reduce the repricing mismatch in the foreign currency balance sheet, foreign currency/foreign currency interest rate swaps are utilized.

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	18.675.878	-	-	-	-	13.704.688	32.380.566
Banks	19.714	128.674	25.859	-	-	1.274.445	1.448.692
Financial assets at fair value through profit/loss	1.071.266	812.302	417.210	428.581	288.924	-	3.018.283
Money market placements	-	-	-	-	-	-	-
Available-for-sale financial assets	2.391.170	4.113.076	5.781.364	3.434.254	2.395.084	165.258	18.280.206
Loans	27.707.389	31.050.486	53.350.202	38.322.482	20.075.698	2.117.960	172.624.217
Held-to-maturity investments	-	868.075	1.408.356	1.029.134	7.358.986	-	10.664.551
Other assets	366.743	900.005	-	-	-	13.136.275	14.403.023
Total assets	50.232.160	37.872.618	60.982.991	43.214.451	30.118.692	30.398.626	252.819.538
Liabilities							
Bank deposits	5.919.171	149.871	39.489	-	-	913.799	7.022.330
Other deposits	88.898.651	25.652.977	7.606.486	32.122	-	25.062.290	147.252.526
Funds from money market	4.377.375	170.828	1.309.585	-	-	-	5.857.788
Miscellaneous payables	-	-	-	-	-	10.637.009	10.637.009
Marketable securities issued	444.124	2.996.378	367.845	5.399.026	37.345	-	9.244.718
Funds borrowed from other financial institutions	5.671.496	14.364.610	6.878.955	348.815	730.986	-	27.994.862
Other liabilities ⁽¹⁾	582.033	338.147	585.782	905.012	9.272.345	33.126.986	44.810.305
Total liabilities	105.892.850	43.672.811	16.788.142	6.684.975	10.040.676	69.740.084	252.819.538
Balance sheet long position	-	-	44.194.849	36.529.476	20.078.016	-	100.802.341
Balance sheet short position	(55.660.690)	(5.800.193)	-	-	-	(39.341.458)	(100.802.341)
Off-balance sheet long position	10.007.647	17.277.542	-	-	-	-	27.285.189
Off-balance sheet short position	-	-	(2.369.717)	(16.390.916)	(8.159.895)	-	(26.920.528)
Total position	(45.653.043)	11.477.349	41.825.132	20.138.560	11.918.121	(39.341.458)	364.661

(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	-	-	-	1.117.962	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	24.152.530	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	11.902.440	146.864	245.636	-	-	-	12.294.940
Miscellaneous payables	-	-	-	-	-	9.138.148	9.138.148
Marketable securities issued	376.588	1.317.448	1.644.434	6.197.101	31.992	-	9.567.563
Funds borrowed from other financial institutions	5.346.894	13.071.656	4.125.625	251.267	820.288	-	23.615.730
Other liabilities ⁽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	15.935.021	(35.067.959)	(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	-	3,31
Banks	0,58	-	-	10,42
Financial assets at fair value through profit/loss	3,06	3,69	-	9,92
Money market placements	-	-	-	-
Available-for-sale financial assets	4,30	5,46	-	9,57
Loans	4,20	5,95	4,97	13,18
Held-to-maturity investments	5,20	5,43	-	9,46
Liabilities⁽¹⁾				
Bank deposits	0,89	1,56	-	11,12
Other deposits	1,52	2,91	1,41	10,74
Funds from money market	-	1,13	-	7,82
Miscellaneous payables	-	-	-	-
Marketable securities issued	2,74	5,25	0,35	9,06
Funds borrowed from other financial institutions	0,86	2,34	3,16	6,54

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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.

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

None.

VII. Explanations on liquidity risk:

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

The 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.

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

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Information related to financial position of the Bank (continued)

Current Period	Unweighted Amounts ⁽¹⁾		Weighted Amounts ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			35,129,581	21,498,931
Cash Outflows				
Retail and Small Business Customers Deposits	68,672,303	25,233,255	5,972,464	2,523,295
Stable deposits	17,895,319	616	894,766	31
Less stable deposits	50,776,984	25,232,639	5,077,698	2,523,264
Unsecured Funding other than Retail and Small Business Customers Deposits	60,213,570	29,033,655	33,439,165	14,736,867
Operational deposits	-	-	-	-
Non-Operational deposits	49,565,700	26,073,260	24,884,593	11,776,472
Other Unsecured funding	10,647,870	2,960,395	8,554,572	2,960,395
Secured funding				
Other Cash Outflows	13,792,956	12,441,581	13,792,956	12,441,581
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	13,792,956	12,441,581	13,792,956	12,441,581
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	57,284,824	36,261,253	2,864,241	1,813,063
Other irrevocable or conditionally revocable commitments	57,738,358	9,613,934	4,148,299	614,209
Total Cash Outflows			60,217,125	32,129,015
Cash Inflows				
Secured Lending Transactions	-	-	-	-
Unsecured Lending Transactions	17,685,500	5,527,070	11,254,271	4,394,788
Other contractual cash inflows	12,706,944	9,919,938	12,706,944	9,919,938
Total Cash Inflows	30,392,444	15,447,008	23,961,215	14,314,726
			Capped Amounts	
Total High Quality Liquid Assets			35,129,581	21,498,931
Total Net Cash Outflows			36,255,910	17,814,289
Liquidity Coverage Ratio (%)			96,89	120,68

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

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

Current Period	Minimum FC (%)	Minimum TL+FC (%)	Maximum FC (%)	Maximum TL+FC (%)
Week	November 11, 2016	October 07, 2016	October 28, 2016	November 18, 2016
Ratio(%)	96,77	87,98	145,26	107,51

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

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

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

Funding sources of the Bank mainly consist of deposits which constitute 61% of total liabilities of the Bank (31 December 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.

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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.

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	10.453.403	21.927.163	-	-	-	-	-	32.380.566
Banks	1.274.445	19.714	128.674	25.859	-	-	-	1.448.692
Financial assets at fair value through profit or loss	-	551.409	405.059	828.289	886.341	347.185	-	3.018.283
Money market placements	-	-	-	-	-	-	-	-
Available-for-sale financial assets	96.840	1.578	124.342	701.416	7.703.663	9.583.949	68.618	18.280.206
Loans	-	25.687.375	21.239.641	39.042.805	45.149.533	39.406.903	2.117.960	172.524.217
Held-to-maturity investments	-	-	-	1.018.685	1.076.362	8.569.504	-	10.664.551
Other assets (1)	1.759.509	218	97.812	191.300	795.457	180.961	11.376.766	14.403.023
Total assets	13.583.997	48.167.457	21.995.528	41.808.354	55.612.356	58.088.502	13.563.344	252.819.538
Liabilities								
Bank deposits	913.799	5.919.171	149.871	39.489	-	-	-	7.022.330
Other deposits	25.062.290	88.898.651	25.652.977	7.606.486	32.122	-	-	147.252.526
Funds borrowed from other financial institutions	-	612.743	1.192.579	18.026.394	4.850.555	5.312.591	-	27.994.862
Funds from money market	-	4.377.375	170.828	1.309.585	-	-	-	5.857.788
Marketable securities issued	-	444.124	2.996.378	367.845	5.399.026	37.345	-	9.244.718
Miscellaneous payables	892.084	9.466.586	45.471	-	-	-	232.868	10.637.009
Other liabilities (2)	1.890.502	492.611	570.596	634.865	1.568.327	9.495.712	30.157.692	44.810.305
Total liabilities	28.758.675	110.211.261	30.778.700	25.984.664	11.850.030	14.845.648	30.390.560	252.819.538
Net liquidity gap	(15.174.678)	(62.043.804)	(8.783.172)	15.823.690	43.762.326	43.242.854	(16.827.216)	-
Net Off-Balance Sheet Position	-	(58.407)	153.940	297.139	279.255	(307.266)	-	364.661
Derivative Financial Assets	-	33.364.178	15.344.691	19.342.430	38.274.123	19.688.420	-	126.013.842
Derivative Financial Liabilities	-	33.422.585	15.190.751	19.045.291	37.994.868	19.995.686	-	125.649.181
Non-Cash Loans	-	2.385.544	8.127.694	19.427.721	11.874.230	4.247.343	21.806.008	67.868.540
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
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	-	739.345	(465.072)	(87.465)	21.532	(33.832)	-	174.508
Derivative Financial Assets	-	29.891.739	15.264.344	27.365.426	27.937.406	11.598.250	-	112.057.165
Derivative Financial Liabilities	-	29.152.394	15.729.416	27.452.891	27.915.874	11.632.082	-	111.882.657
Non-Cash Loans	-	18.685.139	3.089.306	8.170.733	5.710.284	2.650.947	18.734.682	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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Breakdown of financial liabilities according to their remaining contractual maturities:

The maturity distribution of values at contracted maturity date of non-derivative financial liabilities is presented below. Maturity segments also include the interests of related assets and liabilities.

Current Period ⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	121.536.245	26.117.757	7.863.579	34.602	-	155.552.183
Funds borrowed from other financial institutions	631.366	1.285.005	16.431.264	6.447.772	7.768.313	32.563.720
Funds from money market	4.385.112	171.503	1.322.744	-	-	5.879.359
Subordinated loans	-	131.831	416.029	2.163.955	10.147.038	12.858.853
Marketable securities issued	480.283	3.058.210	601.550	5.879.283	47.547	10.066.873
Total	127.033.006	30.764.306	26.635.166	14.525.612	17.962.898	216.920.988

Prior Period ⁽¹⁾	Demand and up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Liabilities						
Deposits	89.214.713	33.085.144	5.639.522	19.731	-	127.959.110
Funds borrowed from other financial institutions	843.701	1.132.909	12.299.177	4.563.126	8.357.649	27.196.562
Funds from money market	11.919.351	147.140	257.316	-	-	12.323.807
Subordinated loans	-	47.942	300.656	1.936.583	6.697.667	8.982.848
Marketable securities issued	462.872	934.814	2.175.849	6.961.577	42.319	10.577.431
Total	102.440.637	35.347.949	20.672.520	13.481.017	15.097.635	187.039.758

(1) Maturities of non-cash loans are described in Note 3(iv) of Section V.

VIII. Explanations on leverage ratio:

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

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance sheet exposures		
On-Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	239.511.702	216.297.937
(Asset amounts deducted in determining Tier 1 capital)	(2.548.041)	(2.244.358)
Total on-Balance sheet exposures	236.963.661	214.053.579
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	1.142.150	901.494
Potential credit risk of derivative financial instruments and credit derivatives	2.600.580	2.393.778
Total derivative financial instruments and credit derivatives exposure	3.742.730	3.295.272
Securities financing transaction exposure		
Total risk of gross securities financing transactions (excluding on-balance sheet exposure)	535.578	1.822.510
Agent transaction exposures	-	-
Total securities financing transaction exposures	535.578	1.822.510
Off-balance sheet items		
Off-balance sheet exposure at gross notional amount	148.310.644	151.800.162
(Adjustments for conversion to credit equivalent amounts)	(10.254.102)	(2.270.232)
Total risk of off-balance sheet items	138.056.542	149.529.930
Capital and total exposure		
Tier 1 capital	23.511.821	20.753.147
Total exposures	379.298.511	368.701.291
Leverage ratio		
Leverage ratio (%)	6,21	5,63

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

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Information related to financial position of the Bank (continued)

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

The following table summarizes the carrying values and fair values of some financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying value		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
Financial assets	203.017.666	179.540.502	208.624.519	181.888.848
Due from money market	-	286.115	-	286.115
Banks	1.448.692	1.337.144	1.448.408	1.337.148
Available-for-sale financial assets	18.280.206	22.748.429	18.280.206	22.748.429
Held-to-maturity investments	10.664.551	6.389.632	10.049.769	6.318.281
Loans	172.624.217	148.779.182	178.846.136	151.198.875
Financial liabilities	211.219.338	175.865.525	210.939.257	176.328.130
Bank deposits	7.022.330	4.187.774	7.025.488	4.188.079
Other deposits	147.252.526	122.721.119	147.338.175	122.800.605
Funds borrowed from other financial institutions	27.994.862	23.615.730	27.467.314	23.615.140
Subordinated loans	9.067.893	6.635.191	9.170.193	6.726.059
Marketable securities issued	9.244.718	9.567.563	9.301.078	9.860.099
Miscellaneous payables	10.637.009	9.138.148	10.637.009	9.138.148

The fair values of deposits, banks, securities issued and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

The fair value of held-to-maturity assets is determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches to the fair value.

TFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations. Classification for fair value is generated as followed below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

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Information related to financial position of the Bank (continued)

According to these classification principles stated, the Bank's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	36.713	2.981.570	-	3.018.283
Government debt securities	36.713	-	-	36.713
Share certificates	-	-	-	-
Trading derivative financial assets	-	2.981.570	-	2.981.570
Other marketable securities	-	-	-	-
Available-for-sale financial assets	16.130.712	2.141.724	-	18.272.436
Government debt securities	16.034.072	-	-	16.034.072
Other marketable securities ⁽¹⁾	96.640	2.141.724	-	2.238.364
Hedging derivative financial assets	-	1.168.936	-	1.168.936
Total assets	16.167.425	6.292.230	-	22.459.655
Trading derivative financial liabilities	-	2.525.526	-	2.525.526
Hedging derivative financial liabilities	-	88.788	-	88.788
Information on borrowings	-	4.111.709	-	4.111.709
Total liabilities	-	6.726.023	-	6.726.023
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	66.106	1.703.204	-	1.769.310
Government debt securities	66.106	-	-	66.106
Share certificates	-	-	-	-
Trading derivative financial assets	-	1.703.204	-	1.703.204
Other marketable securities	-	-	-	-
Available-for-sale financial assets	20.398.262	2.342.662	-	22.740.924
Government debt securities	20.380.183	-	-	20.380.183
Other marketable securities ⁽¹⁾	18.079	2.342.662	-	2.360.741
Hedging derivative financial assets	-	955.127	-	955.127
Total assets	20.464.368	5.000.993	-	25.465.361
Trading derivative financial liabilities	-	1.853.506	-	1.853.506
Hedging derivative financial liabilities	-	147.474	-	147.474
Information on borrowings ⁽²⁾	-	3.394.985	-	3.394.985
Total liabilities	-	5.395.965	-	5.395.965

(1) Non-listed share certificates amounting of TL 7.770 are accounted in accordance with TAS 39, at acquisition costs, are not included. (December 31, 2015 – TL 7.505)

(2) Includes some 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.

The Bank classify its buildings carried at their fair value within property and equipment under level 3.

(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 at December 31, 2016

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

Information related to financial position of the Bank (continued)

X. Explanations on hedge accounting:

The Bank applies the following hedge accounting models as of December 31, 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 December 31, 2016 of these hedging instruments are presented in the table below:

	Notional ⁽¹⁾	Current Period		Notional ⁽¹⁾	Prior Period	
		Asset	Liability		Asset	Liability
Hedging instrument						
Interest rate swap	24.782.222	963.417	38.839	28.436.221	703.897	144.047
Cross currency interest rate swap	962.773	205.519	49.949	567.175	251.230	3.427
Total	25.744.995	1.168.936	88.788	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 26.381.740 (December 31, 2015 – TL 29.505.684) the total notional of derivative financial assets amounting to TL 52.126.735 (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	Fixed interest and changes in foreign exchange rate risk	(8.587)	205.519	49.949	14.710

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency 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 2.528.

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	Fixed interest and changes in foreign exchange rate risk	(23.297)	251.230	3.427	(14.775)

(1) The amount refers to the fair value of the hedged item calculated for the TL fixed interest mortgage and car loans in accordance with hedge accounting effectiveness tests. The foreign exchange rate changes of foreign currency 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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Notes to unconsolidated financial statements at December 31, 2016

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

Information related to financial position of the Bank (continued)

Cash flow hedge accounting:

The Bank started to apply macro cash flow hedge accounting from January 1, 2010 onwards in order to hedge its cash flow risk from floating interest rate liabilities. The hedging instruments are USD, EUR 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, EUR and TL deposits, borrowings and repos.

The impact of application of CFH accounting is summarized below:

Current Period					
Type of hedging instrument	Hedged item (asset and liability)	Nature of hedged risks	Net fair value of the hedging instrument		Net gain/(loss) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability	
Interest rate swaps	Customer deposits, borrowings and repos	Cash flow risk due to the changes in the interest rates	963.417	38.839	379.149
					111.184

(1) Includes deferred tax impact.

(2) Includes tax and foreign exchange differences.

(3) The ineffective portion of the mentioned hedging transaction is TL 5.290

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) reclassified to equity ⁽²⁾⁽³⁾
			Asset	Liability	
Interest rate swaps	Customer deposits, borrowings 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.

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 December 31, 2016 is EUR 386 million (December 31, 2015 - EUR 348 million.)

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Notes to unconsolidated financial statements at December 31, 2016

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Information related to financial position of the Bank (continued)

XI. 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.

XII. 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, 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 (VOB) and international markets, personal loans, foreign exchange, gold and equity trading, pension plans, insurance products and 7/24 safe deposit boxes and e-banking services. Also, personal art advisory, inheritance advisory, real estate advisory, tax advisory and philanthropic advisory are offered within the Private Banking and Wealth Management activities.

The Bank's widespread branch network and alternative distribution channels including ATMs, telephone banking, internet banking and mobile banking are utilized to serve customers in all segments.

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

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Notes to unconsolidated financial statements at December 31, 2016

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

Information related to financial position of the Bank (continued)

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

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

Current Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	4.352.372	2.806.216	236.421	3.693.209	11.088.218
Operating expenses	(4.331.137)	(1.020.631)	(102.516)	(2.465.801)	(7.920.085)
Net operating income / (expense)	21.235	1.785.585	133.905	1.227.408	3.168.133
Dividend income ⁽¹⁾	-	-	-	80	80
Income/(loss) from investments accounted based on equity method	-	-	-	476.472	476.472
Profit before tax	21.235	1.785.585	133.905	1.703.960	3.644.685
Tax provision expense ⁽¹⁾	-	-	-	(711.890)	(711.890)
Net period income	21.235	1.785.585	133.905	992.070	2.932.795
Net profit	21.235	1.785.585	133.905	992.070	2.932.795
Segment asset	71.341.470	88.591.658	156.652	88.036.974	248.126.754
Investments in associates, subsidiaries and joint ventures	-	-	-	4.692.784	4.692.784
Total assets	71.341.470	88.591.658	156.652	92.729.758	252.819.538
Segment liabilities	61.218.411	55.827.497	32.536.775	77.118.308	226.700.991
Shareholders' equity	-	-	-	26.118.547	26.118.547
Total liabilities	61.218.411	55.827.497	32.536.775	103.236.855	252.819.538
Prior Period	Retail banking	Corporate and commercial banking	Private banking and wealth management	Treasury, asset-liability management and other	Total operations of the Bank
Operating revenue	4.085.978	2.371.581	213.250	2.679.482	9.350.291
Operating expenses	(3.628.714)	(798.972)	(94.552)	(2.809.676)	(7.331.914)
Net operating income / (expense)	457.264	1.572.609	118.698	(130.194)	2.018.377
Dividend income ⁽¹⁾	-	-	-	2.971	2.971
Income/(loss) from investments accounted based on equity method	-	-	-	368.140	368.140
Profit before tax	457.264	1.572.609	118.698	240.917	2.389.488
Tax provision expense ⁽¹⁾	-	-	-	(528.943)	(528.943)
Net period income	457.264	1.572.609	118.698	(288.026)	1.860.545
Net profit	457.264	1.572.609	118.698	(288.026)	1.860.545
Segment asset	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".

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 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	1.451.282	1.202.894	1.437.730	511.118
The CBRT ⁽¹⁾	7.600.149	22.123.910	2.025.935	23.019.557
Other	-	2.331	-	246
Total	9.051.431	23.329.135	3.463.665	23.530.921

(1) The balance of gold amounting to TL 4.784.973 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⁾	7.600.149	196.747	2.025.935	2.735.055
Time unrestricted amount	-	-	-	-
Time restricted amount	-	2.107.234	-	-
Reserve requirement ⁽²⁾	-	19.819.929	-	20.284.502
Total	7.600.149	22.123.910	2.025.935	23.019.557

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

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

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	378.431	-	173.071	-
Swap transactions ⁽¹⁾	2.167.698	313.748	1.205.895	209.040
Futures transactions	-	-	-	-
Options	87.886	33.807	106.540	8.658
Other	-	-	-	-
Total	2.634.015	347.555	1.485.506	217.698

(1) Includes Credit Default Swaps

(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 at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

ç. Information on banks:

1. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	32.531	6.717	10.789	368
Foreign ⁽¹⁾	800	1.408.644	14.802	1.311.185
Head quarters and branches abroad	-	-	-	-
Total	33.331	1.415.361	25.591	1.311.553

(1) The balance of foreign currency account in foreign banks includes the balance of gold amounting to TL 14.668 (December 31, 2015 - TL 17.423).

2. Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
EU countries	769.741	191.583	42.509	89.007
USA, Canada	461.364	893.833	77.422	72.690
OECD countries ⁽¹⁾	26.240	21.781	-	18.173
Off-shore banking regions	305	383	-	-
Other	31.863	38.537	-	-
Total	1.289.513	1.146.117	119.931	179.870

(1) Includes OECD countries except EU countries, USA and Canada.

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

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

Available-for-sale financial assets given as collateral/blocked amounts to TL 1.561.834 (December 31, 2015 - TL 4.167.373) and available-for-sale financial assets subject to repo transactions amounts to TL 3.651.723 (December 31, 2015 - TL 8.389.163).

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

	Current Period	Prior Period
Debt securities	18.313.621	22.871.392
Quoted on stock exchange	17.498.849	21.740.703
Not quoted ⁽¹⁾	814.772	1.130.689
Share certificates	113.936	262.225
Quoted on stock exchange	-	-
Not quoted ⁽²⁾	113.936	262.225
Impairment provision (-) ⁽³⁾	(243.991)	(403.267)
Other ⁽⁴⁾	96.640	18.079
Total	18.280.206	22.748.429

(1) Includes credit linked notes amounting to TL 475.930. (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.

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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	105.720	1.158.561	6.593	954.585
Loans granted to employees	148.674	103	136.551	2
Total	254.394	1.158.664	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	164.621.952	3.318.056	-	5.884.305	2.355.527	123.451
Loans given to enterprises	88.053.992	825.962	-	1.509.038	800.574	84.205
Export loans	5.957.240	98.750	-	89.845	68.147	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	2.732.140	-	-	-	-	-
Consumer loans	29.862.689	1.284.739	-	1.134.330	241.179	26.956
Credit cards	21.729.623	779.198	-	464.702	216.201	12.289
Other ⁽¹⁾	16.286.268	329.407	-	2.686.390	1.029.426	1
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	164.621.952	3.318.056	-	5.884.305	2.355.527	123.451

(1) Fair value differences of the hedged item amounting to TL (21.890) are classified in other loans as explained in Note XIV, Section IV.

Number of modifications made to extend payment plan ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	2.796.574	1.850.369
Extended by 3,4 or 5 times	466.129	421.621
Extended by more than 5 times	55.353	83.537
Total	3.318.056	2.355.527

(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)

Extended period of time ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	262.456	252.975
6 - 12 Months	230.231	200.002
1 - 2 Years	759.034	391.635
2 - 5 Years	1.314.542	661.139
5 Years and over	751.793	849.776
Total	3.318.056	2.355.527

- (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 61 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. 23 of them were restructured three times, 17 of them were twice and 22 of them were restructured once.
- (3) There is no loan which is subject to the temporary article 7 of the amendment of Provisioning Regulation dated on September 21, 2012.
- (4) There are 576 loans restructured in accordance with temporary article 10 subsection of the amendment of Provisioning Regulation dated August 5, 2016 with maturities until 0-6 months, 6-12 months and 1-2 years, 2-5 years, 5 years and over. 400 of them were restructured once or twice, 129 of them were restructured three, four or five times, 45 of them were structured more than five times.

3. Loans according to their maturity structure:

	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
Short-term loans and other receivables	53.278.347	921.023	1.016.704	368.920
Non-specialised loans	53.278.347	921.023	1.016.704	368.920
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables	108.025.549	2.397.033	2.388.623	2.110.058
Non-specialised loans	108.025.549	2.397.033	2.388.623	2.110.058
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

4.(i) Information on loans by types and specific provisions:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	113.029.640	29.862.689	21.729.623	164.621.952
Watch list	4.285.273	1.134.330	464.702	5.884.305
Loans under legal follow-up	4.933.782	2.132.778	1.639.583	8.706.143
Specific provisions (-)	(3.424.045)	(1.777.377)	(1.386.761)	(6.588.183)
Total	118.824.650	31.352.420	22.447.147	172.624.217

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Standard loans	95.219.032	28.019.982	19.271.667	142.510.681
Watch list	2.992.546	1.165.552	605.330	4.763.428
Loans under legal follow-up	3.573.151	1.505.486	1.053.103	6.131.740
Specific provisions (-)	(2.647.676)	(1.161.743)	(817.248)	(4.626.667)
Total	99.137.053	29.529.277	20.112.852	148.779.182

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Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

(ii) Fair value of collaterals:

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch list	8.180.491	959.735	-	9.140.226
Loans under legal follow-up ⁽¹⁾	1.095.951	52.271	-	1.148.222
Total	9.276.442	1.012.006	-	10.288.448

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
Watch list	4.744.363	3.185.972	-	7.930.335
Loans under legal follow-up ⁽¹⁾	616.001	63.284	-	679.285
Total	5.360.364	3.249.256	-	8.609.620

(1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the "Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside".

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

	Short-term	Medium and long-term	Total
Consumer loans-TL	294.430	29.367.681	29.662.111
Real estate loans	6.907	12.525.704	12.532.611
Automotive loans	10.542	348.603	359.145
Consumer loans	276.981	16.493.374	16.770.355
Consumer loans-FC indexed	-	36.673	36.673
Real estate loans	-	36.050	36.050
Automotive loans	-	-	-
Consumer loans	-	623	623
Individual credit cards-TL	14.939.409	901.084	15.840.493
With installments	8.046.443	889.423	8.935.866
Without installments	6.892.966	11.661	6.904.627
Individual credit cards-FC	6.129	-	6.129
With installments	6	-	6
Without installments	6.123	-	6.123
Personnel loans-TL	5.875	61.065	66.940
Real estate loans	-	1.836	1.836
Automotive loans	-	127	127
Consumer loans	5.875	59.102	64.977
Personnel loans-FC indexed	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Personnel credit cards-TL	79.455	425	79.880
With installments	37.819	425	38.244
Without installments	41.636	-	41.636
Personnel credit cards-FC	210	-	210
With installments	-	-	-
Without installments	210	-	210
Credit deposit account-TL (real person)⁽¹⁾	1.231.295	-	1.231.295
Total	16.556.803	30.366.928	46.923.731

(1) TL 1.644 of the credit deposit account belongs to the loans used by personnel.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

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

	Short-term	Medium and long-term	Total
Commercial installments loans-TL	999.006	8.574.235	9.573.241
Business loans	962	814.402	815.364
Automotive loans	55.338	1.459.996	1.515.334
Consumer loans	942.706	6.299.837	7.242.543
Commercial installments loans-FC indexed	9.998	226.175	236.173
Business loans	-	19.030	19.030
Automotive loans	16	65.260	65.276
Consumer loans	9.982	141.885	151.867
Corporate credit cards-TL	6.266.960	501	6.267.461
With installment	4.109.171	47	4.109.218
Without installment	2.157.789	454	2.158.243
Corporate credit cards-FC	152	-	152
With installment	-	-	-
Without installment	152	-	152
Credit deposit account-TL (legal person)	1.055.185	-	1.055.185
Total	8.331.301	8.800.911	17.132.212

7. Loans according to types of borrowers:

	Current Period	Prior Period
Public	1.759.966	1.713.483
Private	168.746.291	145.560.626
Total	170.506.257	147.274.109

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

	Current Period	Prior Period
Domestic loans	168.909.282	145.976.200
Foreign loans	1.596.975	1.297.909
Total	170.506.257	147.274.109

9. Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct loans granted to associates and subsidiaries	35.428	36.629
Indirect loans granted to associates and subsidiaries	-	-
Total	35.428	36.629

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Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

10. Specific provisions provided against loans:

	Current Period	Prior Period
Loans and other receivables with limited collectibility	167.826	124.053
Loans and other receivables with doubtful collectibility	715.400	517.271
Uncollectible loans and other receivables	5.704.957	3.985.343
Total	6.588.183	4.626.667

Current Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	2.647.676	1.161.743	817.248	4.626.667
Allowance for impairment	928.110	835.611	704.848	2.468.569
Amount recovered during the period	(151.711)	(219.977)	(135.335)	(507.023)
Loans written off during the period as uncollectible ⁽¹⁾	(30)	-	-	(30)
December 31	3.424.045	1.777.377	1.386.761	6.588.183

Prior Period	Corporate, commercial and other loans	Consumer loans	Credit cards	Total
January 1	1.943.823	755.004	379.099	3.077.926
Allowance for impairment	1.132.029	659.017	595.744	2.386.790
Amount recovered during the period	(394.389)	(252.278)	(157.595)	(804.262)
Loans written off during the period as uncollectible ⁽¹⁾	(33.787)	-	-	(33.787)
December 31	2.647.676	1.161.743	817.248	4.626.667

(1) Also includes the effects of the sales of non-performing loan portfolios.

11. 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)	20.912	87.059	283.295
Restructured loans and other receivables	20.912	87.059	283.295
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	-	-	-

(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 at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Prior Period	691.268	1.300.630	4.139.842
Additions (+)	3.405.141	81.557	134.160
Transfers from other categories of non-performing loans (+)	-	2.834.212	2.173.643
Transfer to other categories of non-performing loans (-)	(2.834.212)	(2.173.643)	-
Collections (-)	(252.371)	(239.565)	(554.489)
Write-offs(-)	-	-	(30)
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	(30)
Current Period	1.009.826	1.803.191	5.893.126
Specific provision (-)	(167.826)	(715.400)	(5.704.957)
Net balance on balance sheet	842.000	1.087.791	188.169

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectibility	Loans and other receivables with doubtful collectibility	Uncollectible loans and other receivables
Current Period ⁽¹⁾			
Period end balance	-	-	-
Specific provision (-)	-	-	-
Net balance on-balance sheet	-	-	-
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

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

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Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

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

	III. Group Loans and other receivables with limited collectibility	IV. Group Loans and other receivables with doubtful collectibility	V. Group Uncollectible loans and other receivables
Current Period (net)	842.000	1.087.791	188.169
Loans granted to real persons and corporate entities (gross)	1.009.826	1.803.191	5.784.563
Specific provision amount (-)	(167.826)	(715.400)	(5.596.394)
Loans granted to real persons and corporate entities (net)	842.000	1.087.791	188.169
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⁾	-	-	-
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., Tömteks 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.

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

Uncollectible loans and receivables, which are classified in accordance with the Provisioning Regulation, are collected through legal follow-up, voluntary payments and liquidation of collaterals.

13. Explanation on "Write-off" policies:

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

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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 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 2.779.442 (December 31, 2015 - 1.727.689). The amount of held-to-maturity investments subject to repurchase agreements amounting to TL 2.471.316 (December 31, 2015 - TL 2.736.461).

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

	Current Period	Prior Period
Government bond	10.664.551	6.389.632
Treasury bill	-	-
Other debt securities	-	-
Total	10.664.551	6.389.632

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

	Current Period	Prior Period
Debt securities	10.963.132	6.583.900
Quoted on stock exchange	10.963.132	6.583.900
Not quoted	-	-
Impairment provision (-) ⁽¹⁾	(298.581)	(194.268)
Total	10.664.551	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⁾	1.088.859	850.016
Purchases during the year	1.329.699	592.353
Transfers ⁽³⁾	1.960.740	-
Disposals through sales and redemptions	(66)	(58)
Impairment provision (-) ⁽²⁾	(104.313)	(71.728)
Period end balance	10.664.551	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.

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

(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)

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.	Geneva/Switzerland	30,67	30,67
2.	Kredi Kayıt Bürosu ⁽¹⁾	Istanbul/Turkey	18,18	18,18
3.	Bankalararası Kart Merkezi A.Ş.	Istanbul/Turkey	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	16.013.192	1.548.742	7.678	152.141	24.530	86.975	68.320	-
2	185.448	129.647	135.578	2.817	89	16.643	26.782	-
3	80.262	39.897	50.021	1.068	-	10.403	3.869	-

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

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	99.003	77.768
Purchases	-	-
Free shares obtained profit from current year's share	-	-
Profit from current year's income	47.787	21.001
Sales	-	-
Revaluation (decrease) / increase ⁽¹⁾	58.861	61.566
Impairment provision ⁽²⁾	(7.645)	(4.799)
Balance at the end of the period	441.646	342.643
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

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

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

(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)

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

	Current Period	Prior Period
Banks	437.143	338.140
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	-	-
Total financial investments	437.143	338.140

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

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 Nederland N.V.
Core Capital					
Paid-in capital	98.918	60.714	389.928	5.707	112.442
Inflation adjustment to share capital	-	-	-	-	-
Share premium	-	-	-	-	-
Property and equipment revaluation differences	13.697	-	-	-	-
Marketable Securities Valuation Differences	13.648	-	-	-	(2.794)
Other capital reserves	93.686	(6)	(217.064)	-	-
Legal reserves	68.107	8.034	79.305	18.164	-
Extraordinary reserves	198.933	10.458	771.384	-	481.813
Other reserves	-	-	-	-	516.739
Profit/loss	(7.526)	135.752	700.578	30.115	91.180
Current period net profit	62.420	37.769	225.810	30.115	91.180
Prior period profit	(69.946)	97.983	474.768	-	-
Leasehold improvements (-)	-	-	426	192	74
Intangible assets (-)	19.945	1.598	3.762	532	145
Total core capital	459.518	213.354	1.719.943	53.262	1.199.161
Supplementary capital					
Capital	459.518	223.481	1.762.207	53.262	1.199.369
Deductions from the capital	-	-	-	-	-
Total shareholders' equity	459.518	223.481	1.762.207	53.262	1.199.369

The above information is based on the consolidated financial statements of the Bank as of December 31, 2016.

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

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.

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.	Istanbul/Turkey	99,98	100,00
3	Yapı Kredi Faktoring A.Ş.	Istanbul/Turkey	99,95	100,00
4	Yapı Kredi Moscow	Moscow/Russia	99,84	100,00
5	Yapı Kredi Finansal Kiralama A.O.	Istanbul/Turkey	99,99	99,99
6	Yapı Kredi Portföy Yönetimi A.Ş.	Istanbul/Turkey	12,65	99,99
7	Yapı Kredi Nederland	Amsterdam/Holland	67,24	100,00
8	Yapı Kredi Azerbaycan	Baku/Azerbaijan	99,80	100,00
9	Enternasyonal Turizm Yatırım A.Ş.	Istanbul/Turkey	99,96	99,99
10	Yapı Kredi Kültür Sanat Yayıncılık Tic.ve San.A.Ş.	Istanbul/Turkey	99,99	100,00
11	Yapı Kredi Teknoloji A.Ş.	Istanbul/Turkey	100,00	100,00

(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 at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

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	229.188	228.936	-	-	-	77	326	-	-
2	4.694.056	483.967	42.195	291.953	7.541	62.420	59.558	-	-
3	3.065.904	214.952	2.338	178.023	-	37.769	9.867	-	-
4	448.603	199.922	17.944	32.166	1.551	13.352	14.115	-	-
5	9.259.232	1.724.131	4.683	519.133	-	225.810	196.527	-	-
6	64.334	53.966	1.152	5.430	-	30.115	27.850	-	-
7	7.322.200	1.199.381	735	342.890	13.297	91.180	61.198	-	-
8	922.809	130.427	30.196	56.465	47	(6.845)	395	-	-
9	38.717	25.879	4.936	2.120	-	1.548	(620)	-	-
10	27.164	21.974	1.289	57	-	3.168	2.428	-	-
11	7.872	6.272	1.245	253	-	1.550	(682)	-	-

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

Financial statement information disclosed above shows December 31, 2016 results.

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	611.288	304.958
Purchases	-	-
Free shares obtained profit from current years share	-	-
Dividends from current year income	431.423	345.342
Sales	-	-
Transfers	-	-
Liquidation	-	-
Transfers	-	-
Revaluation increase/decrease ⁽¹⁾	270.579	66.047
Impairment provision ⁽²⁾	(90.714)	(106.431)
Balance at the end of the period	4.225.724	3.614.436
Capital commitments	-	-
Shareholding percentage at the end of the period (%)	-	-

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

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

(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 at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

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

Financial subsidiaries	Current Period	Prior Period
Banks	1.136.275	886.070
Insurance companies	-	-
Factoring companies	214.850	195.856
Leasing companies	1.724.028	1.498.228
Finance companies	-	-
Other financial subsidiaries	1.150.571	1.034.282
Total financial subsidiaries	4.225.724	3.614.436

6. Subsidiaries quoted on stock exchange:

None (December 31, 2015 - None).

I. Information on joint ventures (net):

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

Joint ventures	Bank's share	Group's share	Total asset	Shareholders' equity	Current assets	Non-current assets	Long term debt	Income	Expense
Yapı Kredi - Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	30,45	30,45	107.248	64.025	50.478	56.770	8.422	54.011	(60.269)
Total			107.248	64.025	50.478	56.770	8.422	54.011	(60.269)

i. Information on lease receivables (net):

None (December 31, 2015 - None).

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Notes to unconsolidated financial statements at December 31, 2016

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Explanations and notes related to unconsolidated financial statements (continued)

j. Information on hedging derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	205.519	-	251.230	-
Cash flow hedge ⁽¹⁾	850.313	113.104	697.629	6.268
Foreign net investment hedge	-	-	-	-
Total	1.055.832	113.104	948.859	6.268

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

k. Information on tangible assets:

	Immovable	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period					
Cost	2.971.839	343.469	2.959	1.100.559	4.418.826
Accumulated depreciation (-)	(869.284)	(320.401)	(1.979)	(533.261)	(1.724.925)
Net book value	2.102.555	23.068	980	567.298	2.693.901
Current Period					
Net book value at beginning of the period	2.102.555	23.068	980	567.298	2.693.901
Additions	87.088	1.727	150	122.479	211.444
Disposals (-), net	(20.848)	(3)	(18)	(7.610)	(28.479)
Reversal of impairment	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Depreciation (-)	(47.671)	(16.302)	(340)	(158.728)	(223.041)
Net book value at end of the period	2.121.124	8.490	772	523.439	2.653.825
Cost at the end of the period	3.033.665	327.047	2.808	1.132.690	4.496.210
Accumulated depreciation at the period end (-)	(912.541)	(318.557)	(2.036)	(609.251)	(1.842.385)
Current Period	2.121.124	8.490	772	523.439	2.653.825

As of December 31, 2016, the Bank had total provision for impairment amounting to TL 224.378 (December 31, 2015 – TL 224.378) for the property and equipment.

l. Information on intangible assets:

	Current Period	Prior Period
Balance at the beginning of the period	1.489.434	1.428.368
Additions during the period	163.054	181.156
Unused and disposed items (-)	(10.965)	(955)
Impairment reversal	-	-
Amortization expenses (-)	(117.562)	(119.135)
Balance at the end of the period	1.523.961	1.489.434

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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)

m. Information on investment property:

None (December 31, 2015 - None).

n. Information on deferred tax asset:

	Current Period		Prior Period	
	Tax base	Deferred tax	Tax base	Deferred tax
Temporary differences	855.887	171.177	842.415	168.483
Derivative financial liabilities	2.653.207	530.642	2.039.027	407.806
Securities portfolio valuation differences	567.845	113.569	378.951	99.176
Subsidiaries, investment in associates and share certificates	122.117	24.423	122.117	24.423
Other	607.895	121.580	432.315	86.463
Total deferred tax asset	4.806.951	961.391	3.814.825	786.351
Derivative financial assets	(4.204.942)	(840.988)	(2.789.227)	(557.846)
Valuation difference of securities portfolio	(1.128.580)	(225.716)	(953.797)	(190.759)
Property, equipment and intangibles, net	(1.804.801)	(117.897)	(1.846.215)	(124.319)
Other	(172.003)	(34.400)	(136.798)	(27.361)
Total deferred tax liability	(7.310.326)	(1.219.001)	(5.726.037)	(900.285)
Deferred tax asset / (liability), net	(2.503.375)	(257.610)	(1.911.212)	(113.934)

Deferred tax income amounting to TL 171.430 was recognized in profit and loss statement, whereas deferred tax expense amounting to TL 27.754 was recognized directly in equity accounts for the period ended December 31, 2016.

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	94.334	71.047
Disposals (-), net	(81.148)	(65.547)
Impairment provision reversal	1.908	560
Impairment provision (-)	(416)	(400)
Depreciation (-)	(5.714)	(5.149)
Net book value at the end of the period	159.974	151.010
Cost at the end of the period	175.904	166.100
Accumulated depreciation at the end of the period (-)	(15.930)	(15.090)
Net book value at the end of the period	159.974	151.010

As of December 31, 2016, the Bank booked impairment provision on assets held for resale with an amount of TL 6.346 (December 31, 2015 - TL 7.838).

ö. Information on other assets:

As of December 31, 2016, other assets do not exceed 10% of the total 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 at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

II. Explanations and notes related to liabilities

a. Information on deposits:

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

1 (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	6.142.512	1.380.464	31.602.118	1.555.528	209.726	173.928	485	41.064.761
Foreign currency deposits	11.345.286	10.425.602	37.127.707	3.526.707	3.820.829	1.105.632	-	67.351.763
Residents in Turkey	11.249.275	10.419.832	36.842.069	3.501.381	3.795.131	1.073.789	-	66.881.477
Residents abroad	96.011	5.770	285.638	25.326	25.698	31.843	-	470.286
Public sector deposits	230.784	35	3.797	16	180	59	-	234.871
Commercial deposits	6.751.831	5.442.392	17.310.801	2.765.952	1.300.569	333.090	-	33.904.635
Other institutions deposits	103.771	81.880	2.400.983	785.374	423.524	575	-	3.796.107
Precious metals vault	488.106	43.940	309.337	19.931	31.543	7.532	-	900.389
Bank deposits	913.799	5.258.426	522.279	269.059	19.278	39.489	-	7.022.330
The CBRT	-	-	-	-	-	-	-	-
Domestic banks	1.935	5.253.349	392.639	123.494	19.278	4.170	-	5.794.865
Foreign banks	481.728	5.077	129.640	145.565	-	35.319	-	797.329
Participation banks	430.136	-	-	-	-	-	-	430.136
Other	-	-	-	-	-	-	-	-
Total	25.976.089	22.632.739	89.277.022	8.922.567	5.805.649	1.660.305	485	154.274.856

1 (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

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Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

2. Information on saving deposits insurance:

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

Saving deposits	Under the guarantee of deposit insurance		Exceeding limit of the deposit insurance	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	21.112.778	17.014.520	19.951.541	16.525.715
Foreign currency saving deposits	5.305.173	5.043.911	19.265.517	16.142.805
Other deposits in the form of saving deposits	329.328	241.329	480.438	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	6.581	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	202.768	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	196.563	-	96.278	-
Swap transactions	1.885.972	317.519	1.421.153	217.921
Futures transactions	-	-	-	-
Options	79.854	45.618	104.779	13.375
Other	-	-	-	-
Total	2.162.389	363.137	1.622.210	231.296

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Notes to unconsolidated financial statements at December 31, 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 borrowings:

1. Information on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey borrowings	-	418.480	-	-
From domestic banks and institutions	161.477	192.559	196.688	199.378
From foreign banks, institutions and funds	381.767	26.840.579	457.177	22.762.487
Total	543.244	27.451.618	653.865	22.961.865

2. Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	33.472	4.006.953	248.614	3.700.924
Medium and long-term	509.772	23.444.665	405.251	19.260.941
Total	543.244	27.451.618	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⁾	-	6.564.507	-	6.083.274
From foreign funds	-	-	-	-
Total	-	6.564.507	-	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 December 31, 2016, the total amount of financial liabilities classified as fair value through profit/loss is TL 4.111.709 (December 31, 2015 - TL 3.394.985) with an accrued interest expense of TL 97.254 (December 31, 2015 - TL 82.505 income) and with a fair value difference of TL 19.783 recognized in the income statement as an income (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 December 31, 2016 are TL 4.033.003 (December 31, 2015: TL 3.332.109) for buy legs and TL 4.033.003 (December 31, 2015: TL 3.332.109) for sell legs with a fair value differences amounting to TL 97.052 liability (December 31, 2015 - TL 82.870 liability). The mentioned total return swaps have 10 year maturity in average.

ç. Information on marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bills	1.399.791	86.665	2.106.752	451.305
Bonds	319.850	7.438.412	662.717	6.346.789
Collateralized securities	288.650	-	288.650	-
Total	1.719.641	7.525.077	2.769.469	6.798.094

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Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

d. Information on other liabilities:

As of December 31, 2016, other liabilities do not exceed 10% of the total balance sheet commitments.

e. Information on lease payables:

1. Information on financial leasing agreements:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1 – 4 years	1.130	1.112	-	-
More than 4 years	-	-	-	-
Total	1.130	1.112	-	-

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".

f. Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge ⁽¹⁾	49.949	-	3.427	-
Cash flow hedge ⁽¹⁾	16.314	22.525	35.387	108.660
Foreign net investment hedge	-	-	-	-
Total	66.263	22.525	38.814	108.660

(1) Explained in Note XIV of Section IV.

g. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
Provisions for first group loans and receivables	2.417.912	2.043.593
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	184.180	85.758
Provisions for second group loans and receivables	259.609	206.370
<i>of which, Provision for Loans and Receivables with Extended Maturity</i>	92.159	57.504
Provisions for non cash loans	107.365	89.189
Others	257.434	232.838
Total	3.042.320	2.571.990

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

2. Information on 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 (%)	4,50	4,60
Possibility of being eligible for retirement (%)	93,63	93,89

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the annual ceiling is revised semi-annually, the ceiling of full TL 4.426,16 effective from January 1, 2017 (January 1, 2016: full TL 4.092,53) has been taken into consideration in calculating the reserve for employment termination benefits.

Movement of employment termination benefits liability in the balance sheet:

	Current Period	Prior Period
Prior period ending balance	120.717	123.200
Changes during the period	49.897	47.684
Recognized in equity	(2.683)	(22.478)
Paid during the period	(40.431)	(27.689)
Balance at the end of the period	127.500	120.717

In addition, the Bank has accounted for unused vacation rights provision amounting to TL 160.381 as of December 31, 2016 (December 31, 2015 - TL 147.449).

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 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 provisions related with the foreign currency difference of foreign currency indexed loans:

As of December 31, 2016, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 708 (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	568.006	574.249
Provisions on unindemnified non cash loans	150.517	105.932
Provision on lawsuits	50.628	42.615
Provisions on credit cards and promotion campaigns related to banking services	43.314	38.244
Other	320.909	250.338
Total	1.133.374	1.011.378

- (ii) General reserves for possible losses:

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

5. Pension fund provision:

The Bank provided provision amounting to TL 568.006 (December 31, 2015 – TL 574.249) for the technical deficit based on the report prepared by an independent actuary company in accordance with the technical interest rate of 9,8% determined by the New Law and CSO 1980 mortality table.

	Current Period	Prior Period
Income statement (Other operations charge/benefit)	6.243	80.652

The amounts recognized in the balance sheet are determined as follows:

	Current Period	Prior Period
Present value of funded obligations	1.964.448	1.757.364
- Pension benefits transferable to SSI	1.882.467	1.889.880
- Post employment medical benefits transferable to SSI	81.981	(132.516)
Fair value of plan assets	(1.396.442)	(1.183.115)
Provision for the actuarial deficit of the pension fund	568.006	574.249

Yapı ve Kredi Bankası A.Ş.

Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

The principal actuarial assumptions used were as follows:

	Current Period	Prior Period
Discount rate		
- Pension benefits transferable to SSI	9,80%	9,80%
- Post employment medical benefits transferable to SSI	9,80%	9,80%

Mortality rate: Average life expectation is defined according to CSO 1980 mortality table.

Plan assets are comprised as follows:

	Current Period		Prior Period	
	Amount	%	Amount	%
Government bonds and treasury bills	831.034	60	728.589	62
Premises and equipment	233.858	17	168.951	14
Bank placements	223.150	16	223.142	19
Other	108.400	7	62.433	5
Total	1.396.442	100	1.183.115	100

ğ. Information on taxes payable:

(i) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	-	185.879
Taxation of Marketable Securities	108.253	111.321
Property Tax	2.840	2.795
Banking Insurance Transaction Tax ("BITT")	107.238	105.614
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	9.788	12.831
Other	34.245	31.588
Total	262.364	450.028

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Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

(ii) Information on premium payables:

	Current Period	Prior Period
Social security premiums – employee	-	-
Social security premiums – employer	-	-
Bank pension fund premiums – employee	15.310	13.473
Bank pension fund premiums – employer	15.798	13.921
Pension fund deposit and provisions – employee	-	-
Pension fund deposit and provisions – employer	-	-
Unemployment insurance – employee	1.093	961
Unemployment insurance – employer	2.187	1.922
Other	-	-
Total	34.388	30.277

(iii) Information on deferred tax liability:

Deferred tax liability, amounting to TL 257.610 represents net of deferred tax assets and deferred tax liabilities, as of December 31, 2016 (December 31, 2015 – TL 113.934).

h. Information on subordinated loans⁽¹⁾:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic banks	-	-	-	-
From other domestic institutions	-	-	-	-
From foreign banks	-	9.067.893	-	6.635.191
From other foreign institutions	-	-	-	-
Total	-	9.067.893	-	6.635.191

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

i. Information on shareholders' equity:

1. Presentation of paid-in capital:

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

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

The 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).

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Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

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	785.286	1.371.226	785.325	1.041.745
Valuation difference ⁽¹⁾	785.286	1.371.226	785.325	1.041.745
Foreign currency difference	-	-	-	-
Available for sale securities	(390.820)	(55.283)	(559.598)	293.487
Valuation differences ⁽²⁾	(390.820)	(55.283)	(559.598)	293.487
Foreign currency differences	-	-	-	-
Total	394.466	1.315.943	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.

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Notes to unconsolidated financial statements at December 31, 2016

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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	29.878.711	28.304.464
Loan granting commitments	8.877.881	9.085.013
Commitments for cheques	6.686.199	6.521.085
Other irrevocable commitments	20.964.614	35.009.478
Total	66.407.405	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 107.365 (December 31, 2015 - TL 89.189) and specific provision amounting to TL 875.166 (December 31, 2015 - TL 597.477) for non-cash loans which are not indemnified yet amounting to TL 150.517 (December 31, 2015 - 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	195.766	173.524
Letter of credits	8.761.174	7.648.009
Other guarantees and collaterals	6.273.317	4.255.807
Total	15.230.257	12.077.340

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

	Current Period	Prior Period
Temporary letter of guarantees	3.060.589	1.926.929
Definite letter of guarantees	33.450.239	31.742.225
Advance letter of guarantees	8.265.692	5.535.124
Letter of guarantees given to customs	2.100.488	2.016.647
Other letter of guarantees	5.761.275	3.742.806
Total	52.638.283	44.963.731

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Notes to unconsolidated financial statements at December 31, 2016

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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	5.433.904	3.455.099
With original maturity of 1 year or less than 1 year	812.327	430.142
With original maturity of more than 1 year	4.621.577	3.024.957
Other non-cash loans	62.434.636	53.585.972
Total	67.868.540	57.041.071

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

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	268.785	1,24	264.445	0,57	201.097	1,11	300.661	0,77
Farming and raising livestock	226.348	1,05	190.047	0,41	145.432	0,80	248.322	0,64
Forestry	38.494	0,18	47.330	0,10	39.083	0,22	32.771	0,08
Fishing	3.943	0,02	27.068	0,06	16.582	0,09	19.568	0,05
Manufacturing	8.769.875	40,57	24.240.184	52,41	7.163.316	39,63	18.676.101	47,93
Mining	413.574	1,91	669.589	1,45	722.796	4,00	1.456.113	3,74
Production	5.953.750	27,55	19.107.577	41,31	5.379.717	29,76	14.069.653	36,11
Electric, gas and water	2.402.551	11,12	4.463.018	9,65	1.060.803	5,87	3.150.335	8,09
Construction	6.569.893	30,40	9.996.845	21,61	4.554.374	25,19	7.831.375	20,10
Services	5.704.088	26,39	11.728.309	25,36	4.243.253	23,47	9.621.981	24,69
Wholesale and retail trade	2.231.326	10,32	2.939.313	6,35	1.902.714	10,53	2.850.058	7,31
Hotel, food and beverage services	176.337	0,82	707.443	1,53	181.879	1,01	407.687	1,05
Transportation and telecommunication	551.457	2,55	3.475.197	7,51	377.454	2,09	3.044.644	7,81
Financial institutions	1.964.705	9,09	2.472.615	5,35	1.000.426	5,53	1.613.144	4,14
Real estate and leasing services	270.474	1,25	271.591	0,59	262.802	1,45	154.780	0,40
Self-employment services	-	-	-	-	-	-	-	-
Education services	40.232	0,19	21.676	0,05	31.839	0,18	63.497	0,16
Health and social services	469.557	2,17	1.840.474	3,98	486.139	2,69	1.488.171	3,82
Other	301.941	1,40	24.175	0,05	1.914.483	10,59	2.534.430	6,50
Total	21.614.582	100,00	46.253.958	100,00	18.076.523	100,00	38.964.548	100,00

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	20.992.683	30.788.738	576.008	280.854
Bank acceptances	-	195.766	-	-
Letters of credit	11.407	8.742.541	-	7.226
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	34.484	6.235.795	-	3.038
Total	21.038.574	45.962.840	576.008	291.118

(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 at December 31, 2016

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Explanations and notes related to unconsolidated financial statements (continued)

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans				
Letters of guarantee	17.753.621	26.858.209	277.973	73.928
Bank acceptances	-	173.524	-	-
Letters of credit	11.483	7.632.586	-	3.940
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring guarantees	-	-	-	-
Other commitments and contingencies	33.446	4.221.266	-	1.095
Total	17.798.550	38.885.585	277.973	78.963

(iv). Maturity distribution of non cash loans:

Current Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	6.225.950	2.529.003	6.221	8.761.174
Letter of guarantee	21.464.214	9.319.266	18.152.038	3.702.765	52.638.283
Bank acceptances	-	168.491	24.902	2.373	195.766
Other	341.794	551.945	2.178.223	3.201.355	6.273.317
Total	21.806.008	16.265.652	22.884.166	6.912.714	67.868.540

Prior Period ⁽¹⁾	Indefinite	Up to 1 year	1-5 years	Above 5 years	Total
Letter of credit	-	5.356.755	2.284.257	6.997	7.648.009
Letter of guarantee	18.438.104	7.094.068	16.600.745	2.830.814	44.963.731
Bank acceptances	-	147.671	24.795	1.058	173.524
Other	296.558	420.689	1.519.946	2.018.614	4.255.807
Total	18.734.662	13.019.183	20.429.743	4.857.483	57.041.071

(1) The distribution is based on the original maturities.

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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)

b. (i) Information on derivative financial instruments:

	Current Period	Prior Period
Types of trading transactions		
Foreign currency related derivative transactions (I)	132.016.926	114.160.143
FC trading forward transactions	15.005.224	9.577.689
Trading swap transactions	99.421.564	91.216.743
Futures transactions	-	-
Trading option transactions	17.590.138	13.365.711
Interest related derivative transactions (II)	49.251.952	36.127.848
Forward interest rate agreements	-	-
Interest rate swaps	47.580.058	34.250.180
Interest rate options	1.671.894	1.877.668
Interest rate futures	-	-
Other trading derivative transactions (III)	18.267.410	15.142.751
A. Total trading derivative transactions (I+II+III)	199.536.288	165.430.742
Types of hedging derivative transactions	-	-
Transactions for fair value hedge	2.112.714	1.395.004
Cash flow hedges	50.014.021	57.114.076
Transactions for foreign net investment hedge	-	-
B. Total hedging related derivatives	52.126.735	58.509.080
Total derivative transactions (A+B)	251.663.023	223.939.822

c. Information on credit derivatives and risk exposures:

Derivative portfolio includes credit default swaps for TL 453.384 (31 December 2015 – TL 794.684) for the period ended 31 December 2016. Credit default swaps linked to credit link notes are for the purposes protection seller and included in this figure.

Derivative portfolio includes total return swaps for TL 8.066.006 (31 December 2015 – TL 6.664.219) for the period ended 31 December 2016.

ç. Information on contingent liabilities and assets:

The Bank has recorded a provision of TL 50.628 (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:

The Bank's activities such as intermediation and custody to serve the investment needs of customers are followed up under off balance sheet accounts.

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Notes to unconsolidated financial statements at December 31, 2016

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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⁾	5.191.009	170.134	4.883.570	178.363
Medium/long-term loans ⁽¹⁾	6.988.968	2.841.969	5.535.883	2.130.564
Interest on loans under follow-up	84.704	136	77.480	54
Premiums received from resource utilization support fund	-	-	-	-
Total	12.264.681	3.012.239	10.496.933	2.308.981

(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	-	138	-	-
From domestic banks	29.876	350	20.851	218
From foreign banks	1.942	16.419	2.880	7.775
Headquarters and branches abroad	-	-	-	-
Total	31.818	16.907	23.731	7.993

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
From trading financial assets	4.162	1.140	10.042	1.242
From financial assets at fair value through profit or loss	-	-	-	-
From available-for-sale financial assets	1.486.587	177.961	1.739.184	204.115
From held-to-maturity investments	394.611	312.984	181.146	237.071
Total	1.885.360	492.085	1.930.372	442.428

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest received from associates and subsidiaries	-	50.321	-	24.822

(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)

b. Information on interest expense:

1. Information on interest expense on borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	51.712	788.404	62.959	695.894
The CBRT	-	59	-	-
Domestic banks	11.699	4.117	13.523	4.386
Foreign banks	40.013	784.228	49.436	691.508
Headquarters and branches abroad	-	-	-	-
Other institutions	-	158.695	-	107.587
Total ⁽¹⁾	51.712	947.099	62.959	803.481

(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	204.721	59.804

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense to marketable securities issued	228.023	375.253	282.558	357.306
Total	228.023	375.253	282.558	357.306

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	Accumulating deposit		
TL									
Bank deposits	200	127.077	3.617	169	147	11	13	95.473	
Savings deposits	1	124.708	3.203.891	154.446	16.419	16.865	3.51	2.784.245	
Public sector deposits	-	362	5.813	104	5	-	-	7.242	
Commercial deposits	30	354.625	1.825.138	351.949	71.760	49.610	2.65	1.922.854	
Other deposits	-	11.734	458.666	51.943	41.020	46	56	575.580	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Total	231	618.506	5.497.125	558.442	129.395	66.673	11	6.87	5.385.394
FC									
Foreign currency deposits	64	193.376	724.310	51.045	38.504	16.765	-	1.024.064	855.160
Bank deposits	16	5.350	2.541	566	140	127	-	5.657	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal vault	-	507	1.452	94	1	71	-	1.968	
Total	80	199.233	728.303	51.705	38.799	16.963	-	1.035.083	862.785
Grand total	311	817.739	6.225.428	610.147	168.194	83.636	11	7.905.468	6.248.179

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Notes to unconsolidated financial statements at December 31, 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:

	Current Period	Prior Period
Trading financial assets	-	-
Available-for-sale financial assets	-	-
Subsidiaries and associates	1	1
Other	79	2.970
Total	80	2.971

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

	Current Period	Prior Period
Gain	28.960.897	44.640.189
Gain from capital market transactions	145.664	324.520
Derivative financial transaction gains	10.221.730	15.636.501
Foreign exchange gains	18.593.503	28.679.168
Loss (-)	(28.884.639)	(45.428.113)
Loss from capital market transactions	(105.176)	(63.900)
Derivative financial transaction losses	(10.230.902)	(14.790.785)
Foreign exchange loss	(18.548.561)	(30.573.428)
Net gain/loss	76.258	(787.924)

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

The amount of net income/loss from derivative financial transactions related to exchange rate changes is TL 28.014 income (December 31, 2015 – TL 1.946.690 income).

e. Information on other operating income:

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

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Notes to unconsolidated financial statements at December 31, 2016

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

Explanations and notes related to unconsolidated financial statements (continued)

f. Provision for impairment of loans and other receivables:

	Current Period	Prior Period
Specific provisions for loans and other receivables	2.093.568	1.663.210
III. Group loans and receivables	72.261	52.621
IV. Group loans and receivables	244.218	55.226
V. Group loans and receivables	1.777.089	1.555.363
General provision expenses	483.531	688.723
Provision expense for possible risks	100.000	-
Marketable securities impairment expenses ⁽¹⁾	49.402	80.104
Financial assets at fair value through profit or loss	898	1.225
Available-for-sale financial assets	48.504	78.879
Impairment of investments in associates, subsidiaries and held-to-maturity securities	70.098	38.955
Investments in associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Held-to-maturity investments ⁽¹⁾	70.098	38.955
Other	46.977	50.504
Total	2.843.576	2.521.496

(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.

g. Information related to other operating expenses:

	Current Period	Prior Period
Personnel expenses	2.184.654	2.012.424
Reserve for employee termination benefits	9.467	19.994
Provision expense for pension fund	-	-
Impairment expenses of property and equipment	-	1.492
Depreciation expenses of property and equipment	223.041	204.672
Impairment expenses of intangible assets	-	-
Goodwill impairment expenses	-	-
Amortisation expenses of intangible assets	117.562	119.135
Impairment expenses of equity participations for which equity method applied	-	-
Impairment expenses of assets held for resale	416	400
Depreciation expenses of assets held for resale	5.714	5.149
Impairment expenses of fixed assets held for sale and assets related to discontinued operations	-	-
Other operating expenses	1.773.508	1.578.929
Operational lease expenses	297.387	277.808
Repair and maintenance expenses	95.533	91.366
Advertising expenses	111.898	125.083
Other expense	1.268.690	1.084.672
Loss on sales of assets	19	117
Other	762.128	868.106
Total	5.076.509	4.810.418

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Notes to unconsolidated financial statements at December 31, 2016

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Explanations and notes related to unconsolidated financial statements (continued)

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

The profit before tax includes TL 7.634.646 (31 December 2015 – 6.842.222) of net interest income, TL 2.825.515 (31 December 2015 – TL 2.688.104) of net fees and commissions and TL 5.076.509 (31 December 2015 – TL 4.810.418) of other operations.

As of December 31, 2016, the Bank has no (December 31, 2015 – None) profit before tax from discontinued operations.

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

As of December 31, 2016, the Bank has TL 540.460 (December 31, 2015 – TL 328.064) tax expense from continued operations, from discontinued operations none and deferred tax income from continued operations amounting to TL 171.430 (December 31, 2015 – TL 200.879 deferred tax expense).

Total provision for taxes on income for the current period and the previous period:

	Current Period	Prior Period
Profit before tax	3.644.685	2.389.488
Tax calculated at rate of 20%	728.937	477.898
Nondeductible expenses, discounts and other, net	(17.047)	51.045
Total	711.890	528.943

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

1. The characteristics, dimension and recurrence of income or expense items arising from ordinary banking transactions do not require any additional explanation to understand the 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.

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Notes to unconsolidated financial statements at December 31, 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

a. Information on dividends:

Authorised body for profit appropriation of the current period is General Assembly. As of the preparation date of these financial statements, annual ordinary meeting of the General Assembly has not been held yet.

b. Information on increase/decrease amounts resulting from merger:

None.

c. Information on available for sale financial assets:

"Unrealised gain/loss" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statement but recognized in the "Marketable securities valuation differences" account under equity, until the financial assets are derecognised, sold, disposed or impaired.

ç. Hedging transactions:

The Bank has begun to apply cash flow hedge accounting in order to hedge the risk of cash flow of its liabilities from January 1, 2010. In the scope of this application, the derivative financial instruments are specified as floating rate and fixed rate interest payment USD, EUR and TL interest rate swaps, hedging liabilities as the USD, EUR and TL customer deposits, repos, cash outflows due to re-pricing of loans because of the expected interest rate financing. In this context, fair value change of the effective portion of derivative financial instruments accounted in equity hedge funds, taking into account tax effects. Such amount as of December 31, 2016 is TL 379.150 profit (December 31, 2015 – 267.965 profit).

The Bank's Euro denominated borrowing is designated as a hedge of the net investment in the Bank's certain EUR denominated subsidiaries. The total amount of the borrowing designated as a hedge of the net investment at December 31, 2016 is EUR 386 million. The foreign exchange loss of TL 215.812 net of tax, on translation of the borrowing to Turkish Lira at the statement of financial position date is recognized in "hedging reserves" in equity.

d. Information on share issue premium:

Explained in details in Note XIX of Section Three.

VI. Explanations and notes related to statement of cash flows

a. Information on cash and cash equivalents:

1. Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency balances together with demand deposits at banks including the unrestricted amounts of CBRT are defined as "Cash"; money market placements and time deposits in banks with original maturities of less than three months are defined as "Cash Equivalents".

2. Effect of a change in the accounting policies: None.

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Notes to unconsolidated financial statements at December 31, 2016

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Explanations and notes related to unconsolidated financial statements (continued)

3. Reconciliation of cash and cash equivalent items with balance sheet and cash flow statements:

- (i). Cash and cash equivalents at the beginning of period:

	Current Period	Prior Period
Cash	7.820.237	7.377.737
Cash and effectives	1.949.094	2.214.524
Demand deposits in banks	5.871.143	5.163.213
Cash equivalents	499.699	1.823.458
Interbank money market	284.692	1.567.000
Time deposits in banks	215.007	256.458
Total cash and cash equivalents	8.319.936	9.201.195

- (ii). Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	11.713.170	7.820.237
Cash and effectives	2.656.507	1.949.094
Demand deposits in banks	9.056.663	5.871.143
Cash equivalents	2.244.649	499.699
Money market	-	284.692
Time deposits in banks	2.244.649	215.007
Total cash and cash equivalents	13.957.819	8.319.936

- b. Information on cash and cash equivalents those are not available for use due to legal limitations and other reasons:

Reserves amounting to TL 27.599.587 (December 31, 2015 – TL 25.017.080) in CBRT represent the reserve requirements of the Bank.

- c. Explanations on other items in the statement of cash flows and the effects of the change in foreign exchange rates on cash and cash equivalents:

Decrease in "Other Account" amounting to TL 4.694.309 as of December 31, 2016 (December 31, 2015 – TL 4.896.337 decrease), which is classified under "Operating profit before changes in operating assets and liabilities", includes mainly fee and commissions given, other operating expenses excluding personnel expenses, and foreign exchange gains/losses.

Increase in "Net increase/decrease in other liabilities" amounting to TL 3.265.544 as of December 31, 2016 (December 31, 2015 – TL 246.551 increase), mainly consist of changes in other debts and other liabilities.

The effects of the change in foreign exchange rates on cash and cash equivalents are calculated as an increase approximately of TL 989.614 as of December 31, 2016 (December 31, 2015 – TL 1.077.239 increase).

(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)

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. 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	35.428	168.459	367.000	1.158.561	2.317.430	2.502.492
Interest and commission income received	50.321	1.277	4.981	7.546	198.730	10.217

(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	24.822	1.436	13.052	6.027	181.764	8.859

(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.

2. Information on deposits of 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
Deposit						
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	4.074.057	2.500.000	19.715.780	15.911.762	13.596.912	10.366.561
Interest expense on deposits	204.721	69.804	1.021.951	814.288	545.287	372.491

(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.

(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 at December 31, 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⁾	3.305.854	4.510.236	8.532.884	1.455.484	802.512	146.778
Total profit / (loss)	(48.025)	4.685	(9.004)	(53.226)	(270)	(896)
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.

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

Salaries and benefits paid to the Bank's top management amount to TL 48.113 as of December 31, 2016 (December 31, 2015 – TL 39.699).

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

	Number	Number of Employees	Country of incorporation	Total asset	Statutory share capital
Domestic Branch	935	18.364			
Foreign Rep. Office	-	-	-		
Foreign Branch	1	2	Bahrain	15.264.658	-
Off-Shore Banking Region Branch			-	-	-

Explanations and notes related to unconsolidated financial statements (continued)

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)

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Notes to unconsolidated financial statements at December 31, 2015

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

Section Six

Other Explanations and Notes

I. Other explanations on the Bank's operations

None.

Section Seven

Explanations on independent audit report

I. Explanations on independent auditor's report

The unconsolidated financial statements for the period ended December 31, 2016 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's report dated, February 2, 2016 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by independent auditor

None.